

**Family Firm Sustainability: An Ethnographic Study of Change and
Adaptation in the Traditional Batik Industry in Lasem, Indonesia**

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Abstract

There is growing attention to the role of family firms in the global economy. In Indonesia, the family firm model is dominant, enhancing people's lives through job creation, such as in Lasem's traditional batik industry which is very labour intensive. The batik firms demonstrate the ability to sustain a business through generations, particularly those owned and managed by ethnic Chinese families. Surprisingly, quite a few have survived past the third generation, while previous research in a Western context proved only fourteen percent of family businesses survive to the third generation.

Previous studies on business sustainability are mainly concerned with the macro-economic level. This study investigates family firm sustainability in a more comprehensive way considering the growth and survival process over periods of time by incorporating a mixed-embeddedness approach. This allows an analysis at different levels: the micro-level (the family and the firm), the meso-level (the market dynamics), and the macro-level (political and economic climate). In addition, the research compares two ethnic groups that play key roles in the traditional batik industry in Lasem: the ethnic Chinese, as the pioneers of batik Lasem and the ethnic Javanese who are newcomers. Ethnographic research was conducted in the Lasem area using a life-business history approach.

This study offers several key findings. Firstly, at the micro level, the embeddedness of the owner-managers in their contexts (ethnic family background) provides a unique resource availability such as, knowledge, social capital, and financial capital. Further, knowledge possession (colouring formula in particular), the flexibility in responding to changing circumstances, succession, and emotional attachment to the firm and the family are important in determining business sustainability. Secondly, market dynamics such as fashion trends, technology development and competitive environment impact differently on the business sustainability of the two groups. Thirdly, at the macro level, politics and the economic climate can potentially encourage or threaten business sustainability.

This study demonstrates that an appropriate strategy in response to the changing circumstances at the micro, meso and macro levels is crucial in determining business sustainability. The latter is closely related to a combination of mixed-embeddedness and the unique resources pertinent to each ethnic group

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Chapter 1 Introduction

1. 1 Background

Family firms are major contributors to a country's development in the global economy. Consequently, family businesses have received significant scholarly attention over the last couple of decades. This growing attention is related to the claim that family firms are the dominant business model in both developed and developing countries (Poutziouris, 2011; Aquaah, 2011). They significantly contribute to economic development (Cromie and O'Sullivan, 1999; Harper, 2003; Hisrich, et al., 2005; Venesaar and Loomets, 2006; Urban and Naidoo, 2012), and social welfare (Davis and Stern, 1988; Lighthelm, 2011), which in the long run could enhance health and education (Bertaux and Crable, 2007), particularly in developing countries (Rokhim et al., 2017). Research by Winoto and Graitto (in Tirdasari and Dhewanto, 2012) shows that the family firm is dominant in the Indonesian economy and contributes to the country's economic development by creating job opportunities that enhance people's quality of life (Morris et al., 1996). However, it is also shown by previous research in Western contexts that only fourteen percent of family businesses survive to the third generation (Leach and Bogod, 1999).

Considering the substantial and dominant role of the family firm in economic development and in preserving traditional batik, this research investigates family firm sustainability in the batik industry of Lasem. Lasem, a small Indonesian town located in Central Java, is well-known for its traditional batik industry (Elliot, 2013; Rahayu and alrianingrum, 2014). Currently, there are two ethnic groups which play a role in the industry, ethnic Chinese¹ family firms that have been active in this area for decades and initiated the Lasem batik industry, and the more recent businesses set up by local Javanese owners. Apart from their economic relevance, family firms in Lasem play a prominent role in ensuring the existence of traditional batik as an Indonesian cultural heritage product. Batik is a cloth that is traditionally made using a manual wax-resistant dyeing technique. Batik is used to make traditional as well as contemporary dress styles for both men and women.

¹ 'Ethnic Chinese' is used to describe an Indonesian citizen who perceives or identifies him or herself as Chinese Indonesian (identifying with both Chinese and Indonesian heritage). The term 'ethnic Chinese' or 'Chinese Indonesian' is used in the following chapters as these terms are most commonly used in the wider literature.

The long history of batik produced by family firms in Lasem, makes it a highly relevant location to investigate how family firms sustain their business over time. Such family firm sustainability is still a debated topic in family firm studies (Miller and Miller, 2003; William and Jones, 2010; Westhead et al., 2002). What is lacking in such research is detailed studies of the ups and downs of family firms over time addressing the manners in which they keep the business going. The batik firms of Lasem offer a unique opportunity to do so while adding an extra dimension which allows for the comparison between longer established firms and more recently established firms across two different ethnic groups. This calls for an approach that takes into consideration the possibility that firms might be embedded differently in the local context and might be affected differently by the changes in wider society. Therefore, this study has adopted a mixed-embeddedness approach (Kloosterman, 2010).

The mixed-embeddedness, approach will thus be used to provide in-depth details on how family businesses cope during periods of change, both in terms of growth and in terms of staying in business. The research asks questions such as: What are the differences and similarities in how these two business groups run their business and cope with periods of change; how do the established companies manage to survive across the generations; what changes affect the survival of the more recent businesses; and, are there specific ethnic dimensions that play a role in how businesses cope? The purpose of this study is to contribute to the body of research on family business sustainability by looking at different levels of embeddedness: the micro, meso and macro level.

In this thesis, I take the position that ethnicity is not “primordial, essential, and unchanging”, but rather situational while acknowledging that as a collective identity, ethnicity can be “an important and early dimension of self-identification” (Jenkins, 2004, p. 65). There is some us-them element involved in ethnicity in that it refers to groups who see themselves as “culturally distinctive” from other groups with whom they might have interaction (Eriksen, 2002, p.12). Following Koning and Verver (2012) I contend that in practice, ethnicity can be perceived to play a role in the socio-economic organization of firms (see also Ram, et al., 2008), however in the Indonesian context ethnicity is also reproduced through social and state discourse and policy.

To address the overall research aim I have used a life-business history approach within an overall ethnographic study. As a female Chinese Indonesian researcher who is born and raised in Java and who also speaks to local language, Javanese, next to the national Indonesian language, I am familiar with both ethnic groups, their histories and some of their divergent cultural notions and social practices. Language and being able to observe life as lived and understood by the groups being studied (Van Maanen, 2011) are key qualities of ethnographic research and my dual positionality was thus in some cases an advantage. Furthermore, the making of batik, particularly traditional batik, is still very much a female expertise and offered me easy access to the industry and the people involved. My positionality is discussed in more detail in chapter 3.

The remainder of this chapter will provide a brief overview of the theoretical perspectives on family firm sustainability, the specific aims of the study, the manner in which the research has been conducted (methodology) and finally an overview of the chapters to follow.

1.2 The Literature

Important work on family firm sustainability has been accomplished by Stafford et al., (1999), introducing a sustainability business model on the family firm that suggests the sustainability of the family firm arises from a conjunction of family success, business success and the appropriate responses to disruption. Their study shows the importance of an appropriate response to disruption in order to sustain the business by using a positivistic systems approach. A considerable amount of literature has been published on business sustainability. These studies relate business sustainability to the firm's ability to sustain the business through difficult situations or named disruptions (Astrachan, 2010; Heynes et al., 2011; Winnard et al., 2014; Glover and Reay, 2015; Golicic et al., 2016). This indicates the importance of a survival strategy in order to remain sustainable. In the past decade, a number of researchers have sought to determine business development indicators, such as sales and acquisition of resources (Urban and Naidoo, 2012); liquidity, profitability and growth (Vu et al., 2017); and business performance success (Olson et al., 2003) to assure business sustainability.

This research indicates the need to understand business sustainability as an entire process of business activity in terms of encouraging the business to grow by exploiting the

opportunities and surviving by giving an appropriate response to a difficult situation. However, sustainability is a result of a complex and dynamic process that needs the adaptive capacity achieved from strategic reliance (Winnard et al., 2014). Consequently, a comprehensive study in business sustainability incorporating the mixed embeddedness is necessary. No previous study has investigated family business sustainability more comprehensively than this study that looks at the nature of family business sustainability and how the response to changing circumstances ensures business sustainability by incorporating the mixed embeddedness approach. Also, this study is unique as it looks at two ethnic groups that operate in the same area and industry.

As previously stated, this study incorporates the mixed-embeddedness perspective introduced by Kloosterman (2010) as this perspective views business not as a socio-economic vacuum, but as embedded in time, place and specific context. The firm is embedded in its cultural, historical and institutional context (Gelderen et al., 2012; Koning and Verver, 2012). This enables an analysis of family business sustainability in a more comprehensive manner.

1.3 Aim and Objectives

Based on the discussion above, this research aims to come to an in-depth understanding of the nature of sustainability in terms of growth and survival in family firms in the traditional batik industry in Indonesia by exploring the factors that affect business sustainability and how family firms adjust to changing circumstances. In order to achieve this aim, this study employs a mixed-embeddedness perspective in analyzing the changes of the circumstances at different levels and in different contexts: the micro level (the family and the firm), meso level (the market and institutional environment) and macro level (economic and political climate). This adds a new perspective to existing approaches in family firm sustainability research and will result in a more holistic conceptual framework for the study of family firm sustainability. Furthermore, this study looks at the ups and downs of the family firm over time to understand how they keep the business operating. In addition, this study looks at business sustainability in two different ethnic groups, namely Chinese Indonesians and Javanese.

To achieve the aim, the objectives of this study are determined as follows:

1. To critically review and analyze literature and theories on family firm

sustainability.

2. To develop an in-depth understanding of which factors affect business sustainability using the example of the traditional batik industry in Lasem, Indonesia.
3. To develop an in-depth understanding of how family firms respond to changing circumstances in order to sustain the business, in particular, through the example of the traditional batik industry in Lasem, Indonesia.
4. To develop theoretical thinking and research on family firm sustainability.
5. To offer advice on how Indonesian family firms might prepare and respond to changing circumstances in order to support their business sustainability.

1.4 The Research Approach

In order to address the aim and objectives above, this research employed an ethnographic study following an interpretive approach in order to capture the specific complexity and dynamics unique to family firm sustainability in this particular Indonesian setting. As shown by Nordqvist et al. (2009), the interpretive approach (on which this ethnographic study builds) is particularly suited to obtain an in-depth understanding of complex, tacit phenomena and processes related to the dynamics of ownership, management and development in a family firm.

Ethnography is the exploration of social and cultural meaning of a given group and involves trying to get as close as possible to the real-life world of those studied (Brewer 2000; Creswell, 2007; Van Maanen, 2011). This entails a combination of observation, in-depth interviewing in the form of life-business histories, and researching documents such as local documents on economic performance, policy papers related to government incentives to small businesses, and newspaper articles on business and economic developments in Indonesia. The life-business history approach is unique to the field and explores the business owners' life history in conjunction with the historical development of businesses (Koning and Dahles, 2009) to identify and investigate the responses of small family businesses to changing circumstances. The interviewees are invited to recall the developments in the batik industry from as far back as they remember. This requires engagement with the owner-managers over time to explore their experiences both in life and business. The main feature of business history is the compilation of individual stories and cases (Colli, 2011). In addition, spatial exploration is conducted to get a comprehensive picture of the participant's storytelling. This is the strategy to make local

sense, and helps to understand aspects of relationship processes and social categories that include the use of space, for instance, parts of a building, sites of production or places in a neighbourhood (Waal, 2009).

Lasem subdistrict, Rembang regency, Central Java is one of the core centres of the traditional batik industry in Indonesia. Based on the interview with the head of Lasem Batik Cooperative reports, there are 40 firms with either Chinese Indonesian or Javanese ownership. This research encompasses eight Chinese Indonesian family firms and nine Javanese family firms. The traditional batik industry in this area used to be dominated by Chinese Indonesian family firms but these are in decline, while the Javanese firms are expanding in number. In this study, the willingness to tell the story is more important than the number of participants.

The selection of research participants is based on their business activity and their willingness to share their business and life stories at length to source rich and in-depth data, which aligns with the aim of getting a better understanding of the nature of business sustainability and how they have responded to changing circumstances over time.

1.5 The Overview of the Study

The overall structure of the study takes the form of eight chapters, including this introductory chapter. Chapter two begins by laying out the theoretical dimensions of the research and looks at how the literature presents the framework of this study. This chapter begins by discussing the literature on family businesses and family business sustainability as the main theoretical entity of this study. The discussion continues on the mixed embeddedness perspective which is used to get a comprehensive well-grounded framework on family business sustainability by analyzing sustainability in multiple settings and contexts by looking at the micro, meso and macro levels. Then, to explore a deeper understanding on each level, the study seeks to understand what factors cause the family firm to be sustainable and the response of the family firm to changing circumstances.

The third chapter is concerned with the methodology used in this study. It starts with an explanation of the research paradigm that consists of the ontological relativism, ethnographic method and life-business history approach. It then provides an explanation about the research subject and the location of the research. Later, it describes gaining access to the field, the data collection process, profile of the participants and data analysis.

Lastly, it addresses reflexivity and my role as a researcher.

The fourth chapter provides the context of the research. It expounds the historical context of batik family firms in Lasem, Indonesia in order to give an overview of the ups and downs of the firms over periods of time. The dynamic circumstances of where and how the family firms are embedded is also discussed. This chapter explains how the geographical location and the circumstances that affect the dynamics of the traditional batik industry in Lasem, contribute to the uniqueness of Lasem batik.

The fifth chapter presents the findings of the research, focusing on participants from the Chinese Indonesian owner-managers' group. It includes a description of Chinese Indonesian family firm characteristics, business inheritance experience, the changes to public policy, fashion trends and technological innovation; the competitive environment, and family life disruption.

In the sixth chapter, the findings of the research focusing on participants from the Javanese owner-managers' group are presented. It consists of a description of business characteristics, external support, knowledge transfer, limited financial capital, economic crisis, technological innovation and competitive environment.

Chapter seven, the analysis chapter discusses the research findings. It begins with an overview of the background of conducting this study. Next, it provides the discussion on the findings about the nature of sustainability in family firms in the traditional batik industry by exploring how they adjust to changing circumstances over time. It engages a mixed embeddedness perspective that allows examination at the micro, meso and macro levels which impact on business sustainability.

The final chapter is the conclusion, drawing upon the entire thesis, bringing together the various theoretical and empirical strands.

Chapter 2 Studying the Sustainability of Family Firms: A Literature Review

2.1 Introduction

As addressed in the previous chapter, the focus of this study is on the business sustainability of family firms active in the Indonesian batik industry. This study addresses the question of how these family firms have remained sustainable and dynamic over time. More effort is needed in addressing the complexity of business sustainability of family firms since, to date, there has been no comprehensive study on business sustainability that takes both a long-term view as well as investigating the different levels from which sustainability can be challenged. So far, studies of business sustainability have investigated the ability to sustain the firm through a particular difficult situation (Astrachan, 2010; Heynes et al., 2011; Winnard et al., 2014; Glover and Reay, 2015; Golicic et al., 2016) or examined sustainability from a growth perspective (Olson et al., 2003; Urban and Naidoo, 2012; Vu et al., 2017). This study seeks to explore how family firms remain sustainable over longer periods of time. This will be achieved by incorporating a mixed embeddedness perspective (Kloosterman, 2010) in order to comprehend the dynamics of business sustainability at the micro, meso and macro levels. Most studies to date do not cover all three levels and it is argued that these are needed to get a more in-depth understanding of what factors impact family business sustainability and how family firms adapt to changing circumstances.

This chapter provides literature foundations that form the framework of this study. It starts by discussing the meaning of family business and sustainability in business. Next, the discussion will continue using the mixed embeddedness perspective which embraces the dynamics of business sustainability at different levels of social interaction by examining how family firms are embedded to their circumstances and how this impacts on their strategy to be sustainable in a dynamic environment. The conclusion focuses on the emerging key learning.

2.2 Family Business

Numerous studies have revealed the important role of the family business in the economic

development of countries (Cromie and O'Sullivan, 1999; Harper, 2003; Hisrich, et al., 2005; Venesaar and Loomets, 2006; Urban and Naidoo, 2012). Viable small family businesses contribute to socio-economic stability and political infrastructure development (Matlay, 2002). Further, the entrepreneurial activity conducted by the owner-manager helps in dealing with poverty (Acheampong, 2018). Consequently, there has been an increasing interest in studying family businesses.

Some authors claim that family firms are the dominant business model, either in developed or developing countries (Poutziouris, 2011; Aquaah, 2011), which significantly contributes to economic development and social welfare (Davis and Stern, 1988; Lighthelm, 2011). The dominance of family businesses in the Indonesian economy in various fields of industry and organisation was studied extensively by Winoto and Graitto (in Tirdasari and Dhewanto, 2012). They claimed that 95.83% of entrepreneurs operated family businesses, based on the economic census survey on the number of family businesses in Indonesia in 1996 conducted by the Central Agency on Statistics. This research does not aim to contribute to these debates, but to ground the relevance of studying small family firms.

In developed countries, small businesses are commonly unsustainable in the long-term due to limited business management practices (Heynes, 2011). They are less profitable and cannot compete with big business (William and Jones, 2010). Similarly, Astrachan (2010) suggests that small businesses are more vulnerable and less able to survive. This view is supported by Aras and Crowther (2010) who conclude that profit is essential for business survival, whereas business sustainability implies something dynamic and means there is a continuity. In contrast to other authors, Glover and Reay (2015) argue, based on their comparative study of small family firms in the UK, that even though the economic returns of small family businesses are minimal, the business could be sustainable. Those studies highlight the need to investigate how small family firms, particularly with all the barriers, could be sustainable through generations. For that reason, this research will focus on small family firms, especially in a developing country (Indonesia) since it will add a new dimension to this field. The following will explain in advance what is meant by a family firm.

To date there is no general agreement on the precise definition of a family firm (Chua et al., 1999; Westhead et al. 2002). Many researchers brought their own definition, based on family ownership, family involvement, generational issues and the research purposes

(Chua et al., 1999; Astrachan et al. 2002; Chrisman et al., 2003, Memili et al., 2011). One study by Westhead et al. (2002) identified four criteria to define a family firm. Firstly, when a single dominant family member owns more than 50 per cent of the shares in a business. Secondly, when the family members of an emotional kinship group perceive their firm as being a family business. Thirdly, when a firm is managed by family members within a single dominant family group. Fourthly, when a firm has experienced an intergenerational ownership transition to a second or later generation of family members from within a single dominant family group who own the business. However, this identification seems more relevant for larger manufacturing businesses, which usually need capital accumulation from family members to start up or develop the business.

According to Chua et al. (1999), family business is determined by the involvement of family members in the business activity. It is based on the review of over 250 papers in family business literature. They classified family business based on three combinations of ownership and management patterns, such as family owned and family managed, family owned but not family managed and family managed but not family owned. Further, family business was identified as a business owned and managed by the family (Olson et al., 2003). Moreover, in small family businesses usually the manager is also the owner (Burns, 2007).

It is thus clear that offering a general definition of a family firm is contested with scholars focusing on different combinations of core characteristics. So, it can be argued that it is relevant to offer a definition that captures some of the core elements of family firms in general (the owner / manager dimension) but that at the same time allows for the uniqueness of the context under study. Therefore, this research identifies family business as a business that is owned and managed by family members taking into consideration the ethnic group context of the families concerned. Adding the ethnic group setting to the definition is important as this study aims to come to a better understanding of the ways in which each of the ethnic groups managed firm sustainability; it is based on the idea that members of ethnic groups might consider each other as 'culturally distinctive' (Eriksen, 1995), something that throughout Indonesia's history has proven to be the case (see Coppel, 2002). It also allows for family patterns that are not similar to the overly Western interpretations of family firms (see Verver and Koning, 2018). Allowing for flexible definitions that are culturally sensitive might offer ways forward in the issue of finding a general definition of a family firm.

This study examines family firms, since family businesses portray business sustainability having passed through generations (Miller and Miller, 2003; William and Jones, 2010; Westhead et al., 2002). The family firm demonstrates the continuity of resource reallocation to address the changing needs of the business in response to changing environments (Glover and Reay, 2015) proving that a family firm maintains business continuity through generations (Katila, 2002). This study includes firms that have been in business for several generations as well as those who are recent starters. This can offer some interesting insights into family form dynamics at different stages of their development.

2.3 Family Business Sustainability

Most business sustainability studies are more concerned with the macro-economic level which focuses on a specific area, such as environment and its social interaction in regard to business sustainability (Galo and Vilaseca, 1996; Hogevoid and Svensson, 2012; Wells, 2016; Roume and Louche 2016; Dyllick and Muff, 2016; Ferro et al., 2017). These studies examine business sustainability from a broader concept with emphasis on the environmental and societal effects, which is rooted in the triple-bottom line concept that has three elements of performance including economic, social and environmental (Ratiu and Anderson, 2015 and Sun et al., 2018). The macro-economic lens of business sustainability looks at firms and their responsible behaviour socially and environmentally, that also might earn financial gain in the process (Gimenez et al., 2012). It examines the sustainable nature of business practices which focus on the physical environment where the firms operate, company stakeholders in the market place and society (Ferro et al., 2017).

This research does not propose to study sustainability at the macro-economic level despite the lack of research on sustainability at the micro-economic level, which examines how firms could be sustainable over periods of time. In addition, previous studies of sustainability at the micro economic level often neglect the environmental effects (Astrachan, 2010), such as the general condition of the business, potential competitors, industry growth and economic cycles over time, the political climate and technological development. Therefore, this research investigates how the firm affects and is affected by environmental effects.

There are diverse opinions on the meaning of the sustainability concept (Ferro et al. 2017). Sustainability is a controversial topic because it means different things to different people (Aras and Crowther, 2010). It depends on how the question of sustainability is approached (Ratiu and Anderson, 2015). Business sustainability is about a plethora of simultaneous efforts in which such actors, resources and activities take place (Hogevold and Svensson, 2012). The level of analysis also determines interpretation of a sustainability concept. According to a definition provided by the Cambridge Business English Dictionary (2011), sustainability is the ability to continue over a period of time.

To begin with, a micro-economic perspective explains sustainability as long-term survival and the ability to repeat success in the future, regardless of market conditions, which requires adaptive behaviour to respond to the changes in the market (Golicic et al., 2017). Sustainability within the family firm may differ since each family has unique features that affect the business performance and vice versa (Dyer and Dyer, 2009). The family, with its own dynamics, is a basic fundamental entity in creating and sustaining behaviours that affect business sustainability (Zachary, 2011). The first sustainable family business model was initially published in 1999 by Stafford et al. Using a system approach, their business model suggests that family firm sustainability is a result of the confluence with family success, business success and the appropriate responses to disruption. It perceived the overlapping system between the family and the business. Consequently, responses to disruption within a family or business entity impact on the sustainability of the family business. Later, Olson et al. (2003) employed the sustainability family business model to identify families' strategies to increase the success of both the business and the family. They conclude that the family affects the business significantly: family tension has a negative influence on business performance; employing family members who live together has a positive influence on business success; and families with high integrity use family income to overcome the business cash flow problem. One study by Brewton (2010) suggests the importance of family firm resilience since family firm sustainability depends on how family firms adapt to change. In another study, Vuuren and Botha (2010) and Urban and Naidoo (2012) identified the correlations between operational skills and business performance that impacts on business sustainability. They found significant positive correlations between several operational skills and business sustainability. So far, however, studies in business sustainability, particularly in family firms, have been dominated by a positivistic research approach (Stafford, 1999; Olson et al., 2003; Brewton et al., 2010; Heynes et al, 2011), which neglects the process of meaning by those enacting

family businesses in specific contexts. Therefore, this study discusses some important insights into family business sustainability using a more contextual approach by exploring how family firms cope with changing circumstances to sustain their business.

Family business sustainability is the result of the ability of the family firm to balance growth, expansion, family ownership and control (Colli, 2011). Some studies relate family business sustainability to the firm's ability to sustain the business through difficult situations or named disruptions (Astrachan, 2010; Heynes et al., 2011; Winnard et al., 2014; Glover and Reay, 2015; Golicic et al., 2016). These studies present survival strategies implemented by the firm and how these apply to business sustainability. Meanwhile, other studies depict family business sustainability from a growth perspective (Olson et al., 2003; Urban and Naidoo, 2012; Vu et al., 2017). These indicate that family business sustainability is measured by a firm's growth indicators, such as sales and acquisition of resources (Urban and Naidoo, 2012); liquidity, profitability and growth (Vu et al., 2017); the success of business performance (Olson et al., 2003). These studies represent business sustainability partially related to the need to survive or the need to exploit the opportunity to grow the business; whereas the firm should be able to survive in difficult conditions and take advantage of opportunities to develop the business in order to remain sustainable.

Based on that research gap, the investigation into business sustainability in a more comprehensive way, by looking at both the growth and survival process, could not be neglected. Throughout this thesis, the term 'business sustainability' will be used to refer to the ability of the firms to continue their business over a period of time through growth and survival. The idea arose from the sense that every single firm has experience in facing opportunities that could improve a firm's growth and, alternatively, face unpleasant conditions that could threaten the business's sustainability. Therefore, it is important to understand how the owner-manager conducts strategy to exploit opportunities and how the owner-manager applies survival strategy in order to maintain business sustainability. This study investigates family business sustainability by incorporating a mixed embeddedness perspective, which allows exploration of a firm's development by taking into account the unique contextual constellations. This will be addressed in more detail below.

2.4 The Embeddedness of Family Business

In recent years, there has been an increasing amount of literature on the embeddedness

notion (Thornton, 1999; Hite, 2003; Jack and Anderson, 2002; Koning and Dahles, 2009; Budhiyanto, 2009; Lam, 2011; Koning and Verver, 2012; Jurik et al, 2016; Mari et al., 2016; Velvin et al., 2016; Aggestam et al., 2017; Lamprinakos, 2018). Initially, the concept of embeddedness was introduced by Polanyi in 1944 (Polanyi, 2001) who suggested the idea of economy is not autonomous. He argued that the economy is always embedded in the society. In other words, the economy is being embedded in social relations between actors and the social relations are embedded in the economic system and vice versa. It shows there are interplays between the economy and social relations and where reciprocity rules such as trust and confidence grow in the long-range relationship. It allows resources distribution through non-economic motives. Further, Granovetter ascertained embeddedness in terms of interpersonal relations and networks in the interaction between the actors (Granovetter and Swedberg, 2018). In contrast to Polanyi, Granovetter offers a less structural and more relational understanding of embeddedness. He assumes that the actors' behaviour is closely embedded in networks of interpersonal relationships. This relationship role generates trust and discourages irresponsibility. He emphasised the embeddedness notion in the interaction of both interpersonal relations and networks.

Granovetter defined two types of embeddedness, namely, relational embeddedness which refers to the economic actors that involve personal interaction one to another; and structural embeddedness that refers to the broader network where the actors have a more impersonal relationship (Nahapiet and Ghoshal, 1998; Kloosterman, 2010). Relational embeddedness acknowledges that the ties embedded within a social relationship influence the economic actions of the firm (Hite, 2003). The network ties could generate either a positive influence by creating opportunity, or a negative influence by creating constraint to the business activity. Further, strong-personal ties within a social relationship could reduce uncertainty for actors, as well as access to assistance and availability of resources (Jack and Anderson, 2002). One of the components of social relationship in relation to embeddedness is social capital (Hite, 2003). Social capital manifests in the interaction of dyadic social relationships through obligation, such as expectation, asymmetry (including giving) and norms, and resource accessibility. Social capital is also manifested at a broader level, such as brokering whereby dyadic partners introduce one another to new third parties and structural embeddedness. Dyadic mutual partners are thereby connected to one another. This suggests that social capital is a resource that develops from the interaction between actors who are embedded in their network ties.

Some studies have recognised the embeddedness of the firm over time in its proper context such as social, cultural, historical and institutional. This is deemed important to be explored in order to gain a better understanding of small family firms (Gelderen et al., 2012; Koning and Verver, 2012) from the perspective of the family firm as a social construct, which is embedded in socio-economic, political and cultural contexts (Koning and Dahles, 2009). The embeddedness concept implies that all economic actions are seen as socially 'embedded' (Granovetter 1985; Jack and Anderson, 2002; Granovetter and Swedberg, 2018). In other words, embeddedness is identified as the nature, depth and extent of an individual's ties into the environment (McKeever et al., 2014). They conclude that where and how the owner-managers and the family firms are embedded affects their economic actions. In addition, being embedded in the social structure might create opportunity to improve the firm's performance (Jack and Anderson, 2002).

Later, Kloosterman (2010) introduced a mixed embeddedness approach as a comprehensive framework for analyzing entrepreneurship. He employed a mixed embeddedness framework to determine the changes and their impact on migrant entrepreneurship, but it is also applied to business start-ups more generally. Mixed embeddedness framework presents a comprehensive analytical framework by combining the micro-level of an individual entrepreneur and his or her resources, with the meso-level of the local opportunity structure and links the latter, in a loose way, to the macro institutional framework (Kloosterman, 2010:27-28). His study heavily emphasizes the external environments, particularly at the meso-level of local structure and macro institutional framework, that impact on the opportunity structure.

Consequently, to achieve a more comprehensive well-grounded framework on family business sustainability, this study incorporates the mixed embeddedness concept that employs an interactionist approach introduced by Kloosterman (2010). It allows analyzing the family firm's sustainability in multiple settings and contexts, since business is not in a socio-economic vacuum, but in the actual time and place in a specific context. Additionally, sustainability process arises in the complex dynamic setting, which needs the adaptive capacity that comes from strategic resilience (Winnard et al., 2014). Mixed embeddedness approach suggests a comprehensive analytical framework linking the micro-level of individuals with a meso-level of local opportunity structure and at a macro institutional level. This approach analyzes the family firm embedded at the micro-level of the individual owner-manager and his or her resources by considering the intermingling of

the family and the business (Stafford et al., 1999; Westhead, et al., 2002; Olson et al., 2003; Astrachan, 2010; Sorenson, 2014) in the meso-level of the opportunity structure (the market dynamics) and in the wider context of the macro-level (economy and political climate). This study proposes the mixed embeddedness approach and its sensitivity to context as an analytical lens since it might offer a better way of studying family firm sustainability, particularly in a multi-ethnic and developing country context such as Indonesia. It offers an alternative and, hopefully, more comprehensive approach to family firm sustainability than the systems' approach that now dominates the field.

Along with the growth of attention to study family firms and mixed embeddedness as a comprehensive framework for analyzing entrepreneurship, this study of business sustainability in the family firm has heavily concentrated on the micro-level, since the family firm has unique features where the family and the firm are intertwined. The overlap within family and firm makes the micro-level highly intricate. The contribution of this study is in the operationalization of this micro-level, particularly for family research, where mixed embeddedness is usually applied to ethnic entrepreneurship research. This operationalization of the micro-level mingles family and firm focus on the various capitals (family social capital, human capital and financial capital), family firm management and the culture of two different ethnic groups. This will be explained in the next sub section. Meanwhile, the meso-level (opportunity structure) and macro-level (economic and political climate) are incorporated as contextual dimensions, since the opportunity is a product of socio-economic and institutional forces (Kloosterman, 2010), which are addressed in the specific context of Indonesia in more detail in chapter 4.

2.5 Family Social Capital

Some research in family businesses found that family social capital is the main resource for the sustainability of a family firm (Hoffman et al., 2006; Danes et al., 2009; Blomback and Botero, 2013; Zellweger, 2017). Family social capital accounts for family firm gross revenue especially in the small family firms (Danes et al., 2009). It has significantly affected the family firm's success. Further, other authors also found that family social capital helps in sustaining the family firm by securing a sustained competitive advantage (Hoffman et al., 2006). Moreover, research in Poland shows that family social capital provides family involvement in the firm's management, which significantly relates to a firm's financial performance (Kowalewski et al., 2010). It helps family firms to be sustainable in more volatile and fragile settings (Astrachan, 2010).

Family social capital is a moral infrastructure that arises in family relationships (Hoffman et al., 2006) in how a family believes in themselves and how family members should relate to one another (Sorenson and Bierman, 2009). It structurally consists of network ties between family members providing limited information to the family members (Hoffman et al., 2006). Strong family ties facilitate family resource flows to the family firm (Brewton et al., 2010) to facilitate access to other business resources (Kowalewski et al., 2010), achieve efficiency (Sorenson and Bierman, 2009) and reduce transaction cost (Memili et al., 2011). Strong ties raise trust and shared understanding, which encourage a close relationship within a limited network, while weak ties encourage a less close relationship that promotes access to information and resources from the wider network (Kapasi and Galloway, 2016).

Another dimension of family social capital is relational components including family values and norms; obligation and expectation; reputation and identity (Hoffman et al., 2006; Sorenson and Bierman, 2009). Family values form the basis of a family firm's culture (Aronoff, 2004). The strong business culture and unique values that distinguish one family firm from others form an irreplaceable competitive advantage. Moreover, the culture of the family firm is formed by the owner's values (Efferin and Hartono, 2015).

In addition, a norm is a value system that is shared by family, where a family norm is a standard of accepted behaviour for family members in the family firm (Sorenson and Bierman, 2009). The stronger of family members holding family values and norms, the stronger the family ties. This raises the level of obligation and expectation where trust and reciprocity are developed. Collective trust between family members encourages working together to achieve efficiency, which is a requisite in business start-up. It enhances conformity and reduces transaction cost (Memili et al., 2011). This means family relationships become an asset in a family firm (Sorenson and Bierman, 2009). Additionally, the identities that exist in the family help to strengthen family group values and norms, encourage the collective process and create opportunity for the exchange of information and knowledge (Hoffman et al., 2006).

Another component of family social capital that is immaterial capital is reputation which could guarantee family firm survival and family honour (Colli, 2011). Family members' reputation facilitates personal loans or gifts or sharing financial resources that assist a

family firm through a difficult situation or in order to take an opportunity (Sorenson and Bierman, 2009). Another advantage of reputation to business sustainability is the well-known name which secures a family firm's good position in the market place (Aras and Crowther, 2010) and prestige (Glover and Reay, 2015). Moreover, corporate reputation is crucial in obtaining competitive advantage to achieve financial and social success.

Besides being embedded in the family, the family firm is also embedded in the family firm's business environment. In broader terms, social capital is about solidarity and confidence that is embedded in social relationships between family, friends and others that facilitate knowledge sharing and business momentum (Felicio et al., 2014). Social capital as a resource in the family firm is also built up outside the family circle, for instance, in the relationships with customers, suppliers, government and employees. Social capital is engaging in relationships between people and formal institutions (Danes et al., 2009). It helps family firms to survive in a hostile environment by providing additional resources and bridging connections to government regulators in order to get privilege (Dyer and Mortensen, 2005). It is essential especially in getting access to other forms of capital, allowing better service to customers, managing good relationships with employees and building a high level of goodwill (Kowalewski et al., 2010).

In family firms, social capital, human capital and financial capital are closely tied in with the family system (Olson et al., 2003). It has been argued that the integration of these capitals generates the capacity for resilience (Danes et al., 2009). Consequently, family social capital thus might facilitate access to other capitals, such as financial and human capital. The following two sections will discuss literature on human capital and financial capital.

2.6 Human Capital

Previous studies found that human capital is a fundamental factor for the firm's performance that contributes to business sustainability (Lafuente and Rabetino, 2011; Felicio et al., 2014). This becomes a source of sustained competitive advantage since it is rare, socially complex and hard to imitate (Puig et al., 2011). Human capital creates barriers to competitors, especially when there is an asymmetric information and causal ambiguity (Reed and DeFillipi, 1990). The higher the barrier to imitate, determines the sustained competitive advantage, which contributes to business sustainability.

Human capital could generate remarkable performance, even when there is low financial capital (Lafuente and Rabetino, 2011). Other authors found that human capital alone is not enough to ensure business success, nevertheless (Felicio et al., 2014) human capital is contextual depending on the type of business and the circumstances where the firm is embedded. There are several characteristics of human capital, such as skills, abilities, attitudes, values (Danes et al., 2009), education, experience and knowledge (Chang et al., 2009; Puig et al., 2011; Felicio et al., 2014). Some research studies suggest that high education has a positive impact on a firm's performance (William and Jones, 2010; Felicio et al., 2014; Kapasi and Galloway, 2016).

The availability of human capital from family members could promote family social capital that supports the business either directly by getting involved in the family firm, or indirectly by providing knowledge, experience and financial capital (Sorenson and Bierman, 2009). It is given as the manifestation of attention from family members, which presents sharing family norms, values and knowledge as a unique feature of a family firm (Chua et al., 1999; Poutziouris et al., 2015).

The involvement of family members in a family firm is distinct based on the entrepreneurial process phase, since every phase encounters different activities and decisions (Klyver, 2007). The family involvement is high in the emergent phase, when the entrepreneur needs more emotional support and financial resources (Budhiyanto, 2009). The family provides either paid or unpaid workers (Budhiyanto, 2009; Chang et al., 2009; Danes et al., 2009; Sorenson and Bierman, 2009). Moreover, the intricacies of the business in the initial years initiate the necessity of family members' commitment in supporting the business (Kowalewski et al., 2010). The involvement of family members during periods of resource paucity has impact on the firm's survival (Lee et al., 2016). Furthermore, it also promotes business sustainability through family assets to secure loans (Danes et al., 2009).

The involvement of family members in a family firm is motivated by several reasons, such as family being the main source of trust (Tan and Fock, 2001; Danes et al., 2009) especially in the early stages (Tan and Fock, 2001; Olson et al., 2003). The element of trust incorporates the nuclear family to the extended family (Santiago, 2011). However, the later stages often have family members that drain business profits (Olson et al., 2003). In the ethnic Chinese family firms in Southeast Asia, trust is often related to the concept of filial piety – the idea that children have to support ageing parents and that they are to continue

the family line - which is the basis of a family relationship (Redding, 1990). In Javanese culture, social harmony (Wolff, 1997; Efferin and Hartono, 2015; Wiryomartono, 2016) and respect for a social hierarchy (Geertz, 1956) underpin the cooperative actions between family members. Trust in a family firm thus reflects the willingness of family members to fulfil expectation, share confidence and support one another (Lumpkin et al., 2008). The other motive in engaging family members is to get help in running the business especially in the early years (Klyver, 2007; Budhiyanto, 2009; Lee et al., 2016; Revilla et al., 2016).

Knowledge is an important attribute in the family firms (Sorenson and Bierman, 2009; Zachary et al., 2013); it plays an important role in every phase of the business life cycle and contributes to business success (Moore, 2009). In the initial years of business start-up, accumulation of knowledge helps in developing a firm's competencies (Hormiga and Almeida, 2016). Meanwhile, at the time for succession, knowledge transfer between generations is important in transferring the business from predecessor to successor (Hatak and Roessl, 2015). Further, prior knowledge supports developing a reputation that can offer a significant contribution to business performance (Hormiga and Almeida, 2016). Having greater knowledge than competitors leads the firm to become a market-leader (Geus, 2011), since the knowledge contributes to a competitive advantage (Hoffman et al., 2006). It supports a firm's strategy creation that is important for business sustainability (Olson et al., 2003; Hoffman et al., 2006; Dawson, 2012), since, in cases of disruption, having the right knowledge can help circumvent or cope with such disruptions (Stafford et al., 1999; Astrachan, 2010).

Knowledge is acquired by learning processes as well as through sharing experiences between individuals (Hatak and Roessl, 2015). The learning process can consist of trial and error processes, experiments, improvisation and vicarious learning (Roume and Louche, 2016). It can be enhanced by positive social relationships (Sorenson and Bierman, 2009) and high levels of emotional involvement between family members (Roume and Louche, 2016). There are two sources of learning: direct learning and indirect learning. Direct learning comes from inside the organisation through a manager's or owner's experiences. While indirect learning extends from outside the organisation. Both could occur at the same time or in sequence.

There are two types of knowledge, explicit knowledge and tacit knowledge. Explicit knowledge is characterized as 'conscious knowledge', which consists of fact, concepts and

framework that could be stored with, and retrieved from, individuals (Dawson, 2012). It could be acquired by abstractness and communication. This knowledge could be transferred through formal education (Katila, 2002). Meanwhile, tacit knowledge is ‘an automatic knowledge’, that is, implicitly knowing. It is slow, costly, uncertain and not easily transferred. Tacit knowledge, or ‘experience-based knowledge’, is a high demanding resource to share, which is important for a family firm’s survival and development, especially for the next generations (Woodfield and Husted, 2017). It is acquired through application and experience, by observing and practicing (Dawson, 2012) to acquire skill-based competencies through learning and doing (Reed and Defillipi, 1990; Katila, 2002).

In the case of succession, tacit knowledge is achieved through apprenticeship or coaching (Woodfield and Husted, 2017), where a family firm becomes a business incubator for the potential successor. A business incubator provides a nurturing environment for transferring knowledge that supports business skill and networking development for the successor, which is an important contributor to business success (Meru and Struwig, 2015).

The predecessor develops tacit knowledge through trial and error or learning by doing, and job experience (Dawson, 2012). Nevertheless, the successor establishes explicit knowledge through formal education, articulated knowledge through their work and tacit knowledge learned by observing the predecessor and shared experiences (Woodfield and Husted, 2017). The knowledge is useful for promoting intuition, creative foresight and pragmatic decision-making.

Tacit knowledge encourages barriers against competitors imitating, especially in a static competitive environment (Dawson, 2012). It helps a family firm to maintain their competitive advantage. Competitive advantage is established when a firm has a distinctive core competency (Hoffman et al., 2006). When the resource is limited, inimitable and difficult to substitute or non-substitutable, it creates barriers to other new firms and existing firms to access the resources. However, in a more dynamic environment, it becomes more challenging for a family firm to keep a sustainable competitive advantage (Dawson, 2012). As a consequence, family firms have to adapt and be flexible to change.

2.7 Financial Capital

Financial capital comprises both monetary and physical assets held by a family member, either individually owned or together, that is vital for the business’s sustainability

(Chrisman, 2003; Danes et al., 2009; Vu et al., 2017). Further, profit is crucial for business survival and maintaining business activity (Aras and Crowther, 2010). Firms with high financial performance are usually better able to survive in the long term (Astrachan, 2010). Additionally, in initial years, financial capital might be obtained from family members who provide seed money or help to obtain external funding (Chang et al., 2009). Research in the batik centre in Yogyakarta found that family members, especially husbands and parents, provide financial support in order to start up the business (Budhiyanto, 2009).

During an economic downturn, the family firm can use family savings, liquidating some family assets to create capital for the business, or employ unpaid, or less paid, family labour (Olson et al., 2003). Those are the efforts to keep the family firm running and sustainable.

2.8 Business Succession

Succession in the family firm is the most critical issue that determines the longevity of the firm (William and Jones 2010; Sharma and Dave, 2013) and becomes a standard problem in family firms (Moores, 2009). In 1983, Beckhard and Dyer published a paper in which they described the dilemmas that face the first and second generations in managing continuity in a family business. Succession planning is important in ensuring business sustainability (Sharma and Dave, 2013).

Family firm succession means managing the ownership transition process from a predecessor to the next generation (Sharma and Dave, 2013) or transferring leadership from the incumbent to the successor (Mussolino and Calabro, 2014). Managing succession and having the ability to adapt to the changing external contingencies is essential for family firm sustainability (Mandelbaum, 1995). There are several forces that influence family business succession, for instance, the general business environment, the firm's stage of development, the organisation's culture (its norms and traditions), the family's culture, the family's influence on the founder and the founder's or owner's personal motivations and values (Beckhard and Dyer, 1983).

A lot of consideration related to cultural traditions influences the decision in selecting appropriate successors, such as inheritance tradition, social norms and religious doctrine (Gersick et al., 1997). In fact, family business is made up of two overlapping systems, notably, the family system and the business system, which have their own norms,

membership rules, value structures and organisation structures.

There are two factors which determine the success of succession in a family firm. Firstly, the importance of the potential successor's condition and situation; for instance, the potential successor's desirability and the potential successor's perception of business feasibility (Getz and Petersen, 2004). If the potential successor is only interested in financial return and finds that the prospect of interchanging their asset with another asset has a more comparable return, then there is no reason for sustaining the business (Aronoff, 2004). Therefore, the success of succession is heavily dependent on the successor's desire to continue the business (Iglesias, 2015). Secondly, the absence of succession planning allowing succession to happen by default might threaten business sustainability (Tan and Fock, 2001). A further exploration about succession will be discussed based on ethnic backgrounds.

Furthermore, there are non-economic factors which encourage potential successors to take over the firm. A study by Katila (2002) on family farming businesses in Finland found that the willingness of a potential successor to take over the business is not merely about money, but also honour. The successor has internalized the value of family firm continuity so that continuing the family firm is a duty, which will promote emotions of guilt and shame if not fulfilled. This implies that a potential successor is not only concerned about the economic implication, but also social, moral and emotional implication of the business decision to take over the family firm. A successor learns values and norms from identification with, and the imitation process from, his or her predecessor, thus the emotions of love, guilt and shame also grow with it. It implies that emotional involvement in the firm encourages family firm sustainability.

Furthermore, nowadays, family firms are not merely expected to have profit taking as the primary goal; rather they perceive that to exist and thrive in the long term indicates business success (Geus, 2011). In fact, some firms with low business performance might survive in the long run because of the owner-manager's concern about personal sunk cost (already made investment), personal opportunity, previous business success, environmental complexity, dynamism, munificence, owner's intrinsic motivation and family influence (Astrachan, 2010). In reality, the commitment to sustain the business is also related to life choice, which encourages owner-managers to discern the obstacles in the business as destiny (Glover and Reay, 2015). In the same way, keep the business going is perceived as

prestige, as a consequence of sustaining the family name on the business, which ensures business sustain.

2.9 Family Firm Management

The management system in a family firm organisation cannot neglect the role of the family that simultaneously accommodates the survival and growth of the family firm (Davis and Stern, 1988). Further, family values affect the business sustainability of family firms, since the firm is embedded in the family and vice versa (Aronoff, 2004). Therefore, the family orientation in a family firm is important in influencing business strategy, overcoming obstacles and promoting business success. There are two types of orientations based on the nature of the family firm, namely, a business first orientation and a family first orientation (Reid et al., 1999).

Business first orientation is based on the view that the family serves the business. It emphasizes the importance of business growth as a value in running the business (Reid et al., 1999; Iglesias, 2015). Business first orientation prioritizes innovation, change, growth and profit over financial goals (Zellweger, 2017). In addition, loans are usually taken for business development purposes (Iglesias, 2015). Therefore, family firms with a business first orientation are found to have a longer-term survival because of their concern to develop the business (Gudmunson and Danes, 2013). However, business first orientation might potentially threaten business sustainability when the firm is no longer profitable. Thus, to succeed in continuing a family firm through generations, it is important to make the family firm profitable and lucrative, for potential successors in particular (Iglesias, 2015).

On the other hand, family first orientation is based on the value that the business tends to serve the family (Reid, et al., 1999). It is typically prioritizes family needs (Iglesias, 2015), where family members have the right over the business (Arnoff and Ward, 2011). Further, profits are transferred from the business to the family (Iglesias, 2015). Thus, family firms which are engaged in a family first orientation result in lower profits and smaller business size. However, family first orientation seems to encourage the business to keep going, especially in difficult situations. This orientation considers socio-emotional wealth to be the main driver in sustaining the business, such as prioritizing the family's emotional attachment to the business and nurturing the firm (Zellweger, 2017), and enhancing

reputation and status in the local business community in order to maintain stability and continuation of ownership (Westhead et al., 2002). These non-financial objectives have a long-term orientation, which focuses on the continuity of the family dynasty (Newbert and Craig, 2017), where family members are eager to sell their assets to save the business in a difficult situation (Iglesias, 2015). It usually operates in the firm under sets of deep moral and spiritual values and more long-term orientation of wealth creation to sustain the firm (Jaffe and Lane, 2004). This also promotes firm inheritance to the next generation that is usually motivated by obligation or guilt (Lumpkin et al., 2008). Nonetheless, family first can have a negative effect on business sustainability, because of the emphasis on the family over the priority to grow the business. Furthermore, the profit transfer to the family also inhibits the business flourishing (Reid et al., 1999). These explanations indicate that it is important to balance between family orientation and business orientation in order to reach both family and business success (Gersick et al., 1997).

In the organisation of family firms, the owner-manager constellation is considered the optimal governance mode where the interest of the owners aligns with the managers (Zellweger, 2017). It allows immediate decision-making when required. A small family firm has this advantage, since the owner is usually the manager as well (Burns, 2007) which allows high flexibility in decision-making, especially in a dynamic business environment. Further, in small family firms, there is no distinction between organisational control and the locus of human resource decision process (Matlay, 2002). The final decisions are always with the owner-manager.

Further, the leadership style of the owner-manager affects relations with employees (Sousa and Dierendonck, 2017), which will determine the long-term survival of a family firm (William and Jones, 2010). There are two leadership styles: paternalistic leadership and servant leadership (Oner, 2012). Paternalistic leadership is the most common, according to studies of family firms, (Dyer, 1988) and is found to be an effective leadership style in developing countries (Oner, 2012). Paternalism is more frequently used in cultures with high collectivism values, which have strong family ties, loyalty and obligations (Mussolino and Calabro, 2014). Paternalism is derived from the latin word "*pater*" which means father. The leader is perceived as a father figure, while the subordinates or employees are the children.

In addition, paternalistic leadership style is differentiated into three different types based

on the behaviour occurrence (Mussolino and Calabro, 2014). Firstly, benevolent paternalism means the leader will have more concern about employee welfare and expects employee respect and loyalty. The leader coaches, supports and guides through investing high trust, mutual support, open communication and acknowledging employees' achievements. This, in turn, creates capabilities and values; encourages emotional attachment; and encourages employees' loyalty. Secondly, authoritarian paternalism leadership style represents an absolute authority and control that requires unquestioning obedience. The leader perceives that he or she knows the best for the firm. This leadership style inhibits delegation and negatively affects commitment and support. Thirdly, moral paternalism leadership refers to modelling desired attributes, such as integrity, moral values, unselfishness and self-discipline. The leader acts as a role model and leads by example. He or she inspires moral values, ethical standards, trust and mutual support within the firm (Mussolino and Calabro, 2014).

Servant leadership emphasizes the firm's need of the help of others by empowering and developing (Mayer, 2010; Oner, 2012). The leader encourages employees to meet the firm's goals by promoting employees to reach their potential. Servant leadership characteristics are listening, empathy, healing, awareness, stewardship, community building, persuasion, and growth of people. The leadership style is based on the motivation to serve, whereby humble service oriented and effective actions are employed (Sousa and Dierendonck, 2017) thus affecting the motivation to engage in the organisation. Servant leadership style is more effective at an executive level than at the lower level and helps in generating engagement to an organisation.

2.10 Cultural Notions and Social Practices in the Family Firm

The study of family firm sustainability carried out by Danes et al. (2008) describes the importance of the cultural context in the entrepreneurial experience. They expanded Stafford's sustainability family business model by incorporating the cultural context, which includes both the structure and functions of family in the model. It includes the cultural dimension where values, beliefs, norms and practices reside in the interaction within the family system and between the family and its community and the impact on how the response to disruption could promote or threaten business sustainability. Danes et al. argue (2008, p. 232) that "ethnic groups are culture-bearing units and common group values are major contributors to a sense of identity and to characteristic ways of perceiving, thinking, feeling, and behaving that influence action in everyday life". They

take the position that it is through family interaction, that cultural values and behavioural patterns become embedded in the family firm. Hence, in the study of family firms, particularly one that tries to understand family firm sustainability from the perspective of two different ethnic groups, incorporating the relationship between ethnicity, culture, and family norms and practices is important. It is expressed in this study by focusing on what I have labelled as ‘cultural notions’ and ‘social practices’.

The culture of the firm can offer insights into how businesses cope and operate during change (Jones, 2013) and as such is considered a key dimension of business sustainability (Aras and Crowther, 2010). This thesis defines culture (of organizations or small business / family firms) following Schein (2012, p. 313) as a pattern of shared basic assumptions, invented and discovered or developed by a given group of people, as the group learns to cope with both internal and external pressures (issues of adaptation and/or integration). There is something dynamic in ‘culture’, in that with ‘new’ generations (specifically so in family firms) new ways of doing might be introduced which create conflicts, and as Schein’s definition suggests, learning to adapt or integrate. The culture of an organization can thus be considered as a framework of interpretation and action for its members (Hall and Nordqvist, 2008). The unique feature of family firms lies in the overlap between family and business or organization and contains sets of values and norms that co-determine interactions between family members either between or within the firm (Jones, 2013; Zachary et al., 2013). The influence of the family member is more extensive (Brewton et al., 2010) and the social practices performed by owner-managers are partly based on some cultural notions related to his or her background (family, ethnicity and religion). At the micro-level, the owner-manager is embedded in the family, where family values are considered pertinent to the family business culture that might generate a specific competitive advantage (Aronoff, 2004). According to Dyer (1988) it directs owner-managers in building strategies for decision-making, to act in a way that might facilitate or constrain business continuity.

Beyond the family firm (organizational) cultural context (which can have subcultures, as highlighted above by referring to the idea of new generations), there is also the wider cultural context to reckon with. In this case, the ethnic group context as well as the wider Indonesian country context. In the sections that follow, I will address the ethnic group context in more detail for the Javanese and ethnic Chinese. As to the Indonesian context, it is important to mention that the ethnic Chinese are an ethnic minority (while the Javanese

are seen as part of the majority and considered *bumi putra* or *pribumi* – sons of the soil or land denoting an ‘indigenous’ status as against the ethnic Chinese who are non-pribumi) that has been under pressure to assimilate and has been perceived and treated as outsiders throughout history (Setijadi, 2017). Although expressions of Chineseness were reinstalled after the fall of this Suharto regime (late 1990s) anti-Chinese rhetoric and violent attacks against Chinese Indonesians are a lingering feature of ethnicity in Indonesia (Heryanto, 1998; Susanto, 2011).

2.10.1 Ethnic Chinese Cultural Notions and Social Practices

Historically Chinese Indonesians have been confronted with practices of exclusion related to nation state building policies and practices (Tan, 2001). In the Indonesian case being ethnic Chinese, or Chinese Indonesian, has for long been a contested identity, particularly between 1965 and 1998 when the New Order regime of former president Suharto ruled the country and implemented an Assimilation Programme (*Program Pembauran*). This included regulations that denied ethnic Chinese groups their Chinese heritage (see Susanto, 2011). After the fall of Suharto (1998) amendments to anti-Chinese regulations were made and later Chinese cultural traditions have been re-installed. This history however, has left its mark until today on Chinese Indonesians, their position in society as well as on their business acumen.

As to the 'Chinese Way' of doing business, Koning (2007) has argued that the business practices considered central to ‘the Chinese way of doing business’ are the use of personal networks, trust, and trustworthiness. Her research among Chinese Indonesians in Yogyakarta pointed out that a commonly used term for trust or trustworthiness in business practice is *sin yong* and many of the business networks are personal (*guanxi*) and intra-ethnic. Even though these are second or more generations Chinese Indonesians and most would not have any direct links to China mainland at all, these concepts are still used to express business relations. The value of personal networks that are intra-ethnically based is quite possibly related to the fact that under the circumstances of an oppressive system, such as the assimilation policy and the manipulation of ethnic identities by nation policies, staying within one’s own community is a “safe” and “proven” way (Koning, 2013). Maybe the migration history and coping with an intimidating environment is still a very prominent collective memory (Ooi, 2007).

As to cultural notions and social practices among Chinese Indonesians, the literature is

offering mixed messages on the relevancy of aspects of Confucian teachings (Wolff, 1997; Tan, 2008). Since many Chinese Indonesians are brought up with the migration histories of their families (the stories of grandfathers and grandmothers traveling from China to Indonesia, often in very poor circumstances) and with generations who remember the times before the assimilation politics, it is important to address some of this 'China' heritage.

Interpersonal relationships and network are often mentioned as a key aspect in Chinese and ethnic Chinese business processes. This '*guanxi*' refers to interpersonal relationships that are seen as crucial for facilitating smooth business transactions (Kiong and Kee, 1998). There can be different *guanxi* relationships that are relevant for different aspects of doing business. Verver and Koning (2018) for instance discovered five different kinship relations among ethnic Chinese businesses in Cambodia, with various levels of trust and reciprocity for each relationship that were applied on different aspect of running a business; from nuclear family, to extended family, far relatives, dialect group and other ethnic Chinese groups. *Guanxi* can be used to perform a favour or service and these relational networks, contain mutual obligations, assurances and understandings and this makes *guanxi* more than a friendship or simple personal relationship. It pertains to giving favours and making gifts to others in a relationship but often with specific levels of reciprocity involved (see Verver and Koning, 2018). It is argued that *guanxi* is important in ethnic Chinese businesses across Asia as it offers fast decision-making, access to sensitive or crucial information, and facilitates business partners or suppliers or distributors (Bjerke, 2000). In an at times hostile environment, such networks based on trust and reciprocity are quite important. Research among ethnic Chinese entrepreneurs in Indonesia for instance found that *guanxi* is crucial in providing sensitive and important information for business management in gold trading (Budhiyanto, 2004).

The Chinese kinship system is patriarchal which suggests gender inequality (Wolff, 1997); women for instance cannot inherit property. After marriage, generally a woman will live with her husband's family, subject to directions from her mother in law and expected to perform almost all the household work. However, from historical times onwards there have been marriages between Chinese and local Indonesians which in some instances has led to a shift from a more patriarchal family system to a more bilateral family system and thus offering more room to women (Wolff, 1997).

It is stated that there are some 'Confucian' ethics that survive in ethnic Chinese

communities outside of China as a foundation for interpersonal and/or family relationships, such as *xin yong* which is the ability to keep one's word respect for seniority, reciprocity and mutual commitment, parents expecting love, reverence, obedience and respect from children; while children expect love, wisdom and benevolence from parents (Tan and Fock, 2001). At an individual level, there are values such as dedication to excellence, moral over legal solutions, reliability, trustworthiness and loyalty, and hard work and discipline (Bjerke, 2000; see also Kiong and Kee, 2004). Overseas Chinese owner-managers are considered to think that the business is something to be inherited by their children and that business success means increased social status for the family, recognition from the community, and accumulation of monetary and material wealth (Bjerke, 2000).

A distinctive feature of Chinese family firms according to Tan and Fock (2001) working on ethnic Chinese firms in Singapore, is *familism*. Such familism encompasses nepotism, authoritarianism, frugality and hard work, reputation and trustworthiness, and distrust of non-family members (Tan and Fock, 2001). It is argued that trust and strong family ties enhance conformity and cooperative behaviour that reduce transaction cost and agency problems (Memili et al., 2011). Distrust of non-family members can manifested itself in certain management practices, such as family control and ownership, conservative management policies, reluctance to engage outside professional management (Tan and Fock, 2001). It is a specific feature of Chinese family firms where the owner-manager relays past experience as a platform of learning while governing the firm (Tan and Fock, 2001). External learning rarely happens, only when the heirs go to school. This practice hampers business growth that, in turn, might threaten business sustainability (Tan and Fock, 2001). Distrust of non-family members also inhibits expansion of the firm, thus it fails to create a big family firm (Dyer and Mortensen, 2005).

In many overseas Chinese firms, management and employee engagement is family oriented (Wolff, 1997); the firm functions as a family and authority is centralized. Leadership styles are often judged as paternalistic, emphasizing the benevolent use of power and autocratic features (Bjerke, 2000). According to research by Tan and Fock (2001) a Chinese owner-manager sees employee welfare primarily as a management function; some of this is in line with arguments by Bjerke (20020) who argues that leadership does not involve the worker in decision-making and that there is a high degree of control over workers,

It is argued that overseas Chinese owner-managers are good at financial management (Bjerke, 2000). They manage business survival with a small profit margin as long as the business has high sales turnover. They value frugality and thriftiness, paying close attention to cash in daily business trading because they often rely on their own funds to finance the business. Chinese owner-managers with low capital investments employ strategies such as: accepting low margins; boosting high volumes to penetrate the market and get profit stability assurance; exploiting networking to reduce transaction costs; relying on cash transactions and controlling the inventory accurately; rely on word-of-mouth marketing strategies (Budhiyanto, 2004) and utilize the family home for their business activity (Widodo, 2009).

Succession in an ethnic Chinese family firm takes place when the owner-manager dies or retires (Tan and Fock, 2001). When there is no succession planning and succession thus happens by default, the business may falter and business sustainability might be threatened. At times, *filial piety* might ensure succession, since *filial piety* can stipulate that the eldest son has to step into the business whether he wants to or not. There is however, no guarantee of success as the successor (of a younger generation) might change the family firm dramatically when taking over (Tan and Fock, 2001).

2.10.2 Javanese Cultural Notions and Social Practices

Research on Javanese culture highlights that the basic principles of Javanese behaviour in daily interaction are to be thoughtful, caring, polite (Efferin and Hartono, 2015), respect others, togetherness, and harmony (Susetyo et al., 2014; Wiryomartono, 2016). The most important norms in Javanese society are considered to be social peace and harmony, namely *rukun* which underpins relationships between people, within the family and community (Wolf, 1992; Efferin and Hartono, 2015). *Rukun* expresses that apparent divisive opinions and feelings are not appreciated (Efferin and Hartono, 2015); the ability to put oneself in the proper context in the social system (Wiryomartono, 2016); willingness to compromise with others (Mulder, 2005). At a personal level, Javanese are said to control themselves to behave properly according to karma, not only based on respect and mutual understanding, but also based on a hierarchical ordering system of being (Wiryomartono, 2016). This encourages togetherness or collective action in Javanese society (Susetyo et al., 2014, Fatmawati, 2014) through unselfish behaviour (Efferin and Hartono, 2015). Social harmony is suggested to produce *ewuh pakewuh* (hesitation), which is a

manifestation of shyness and feeling of discomfort, or when an individual feels worried that her or his behaviour, or words, would make others uncomfortable (Fatmawati, 2014). Therefore, open conflict is avoided in Javanese culture as appropriate conduct (Efferin and Hartono, 2015). Furthermore, habitual living in a group encourages togetherness and helping each other is a necessity in Javanese society (Endraswara, 2015). As a consequence, success in the Javanese view is achieved by balancing between a material and spiritual focus.

It has been argued that kinship groups are central to the Javanese institution (Ihromi, 2005). The predominant kinship system in Java is bilateral structured kinship (Mulder, 2005). The basic unit of a Javanese family is nuclear; however, after marriage the family becomes extended (Wolf, 1992). A bilateral kinship system allows gender equality where men and women are complementary and able to contribute significantly to the household (Astuti, 2005). Further, equality between men and women encourages flexibility in the kinship system (Wolf, 1992). Bilateral Javanese kinship in Central Java means that an individual is considered as a descendent of both sides, either father or mother (Ihromi, 2005) even though in practice, certain individuals might choose to affiliate more closely with one kin group, either father's or mother's side. Egalitarianism is also predominant in the Javanese kinship system, where a man and a woman have equal rights and opportunities (Wolf, 1992). Consequently, a high percentage of adult women participate in of the workforce (Ihromi, 2005). However, nowadays, the Javanese social structure is becoming more patriarchal in societies where Muslim religious law has been adopted.

In the Javanese social structure, age, gender, marital status and education are important in determining one's social status (Pruetipibultham, 2012). The oldest man or father in the family has power and authority (Ihromi, 2005; Pruetipibultham, 2012). Father as a reliable patron has to be honoured and followed; every whim and wish is a command (Mulder, 2005). It creates norms that the man is expected, as a breadwinner, to work outside the house; meanwhile, the woman is to stay at home, perform domestic tasks, and take care of children (Ihromi, 2005). Further, a woman is expected to be a good mother and good wife (Astuti, 2005). However, in daily life the situation is that many Javanese women are breadwinners for their family (Brenner, 1995); one third of adult Indonesian women are working women (Ihromi, 2005). Moreover, in rural areas with small incomes, Javanese women have always participated actively in supporting the family financially (Wolf, 1992). A woman's income is used to support daily living expenses, while a man's income

tends to more sporadic and less reliable. Therefore, women tend to be the core decision makers in the family. They are often in control of practical matters and money but it does not automatically mean that she has power. A woman is more likely to be socialized or educated to be submissive to men; devoted to her parents and husband; afraid of new experiences and new people; obedient and acquiescent; feel shame and to be shy even though she is independent and economically autonomous (Wolf, 1992; Astuti, 2005).

As shown above, respect for social hierarchy is considered significant in Javanese culture (Geertz, 1956) and this has an impact on relationships between leaders and subordinates; the idea is that a leader has to care and empathize with subordinates while subordinates have to obey and follow (Mulder, 2005). In Javanese organisations this translates into *bapakism*, where the (male) leader demands respect, obedience and loyalty from the employees (Tsamenyi et al., 2008). This is contiguous with other Javanese values such as *rukun* (Wolf, 1992) and *ewuh pakewuh* (Fatmawati, 2014) that affect power and authority in the firm. *Rukun* means social peace and harmony (Efferin and Hartono, 2015) that direct personal relationships between the leader and employees that generate *ewuh pakewuh* value (Tsamenyi et al., 2008). *Ewuh pakewuh* is shyness, hesitation, and a feeling of awe which arises in social relationships (Fatmawati, 2014). These complex social positioning affect the relationship between owner-managers and employees and can create difficulties in managing employees because of the family relationship between them (Tsamenyi et al., 2008). Previous research in Indonesian government agencies found that the existence of *ewuh pakewuh* encourages subordinate dependency where the leader is perceived as the decision maker with the right to decide. Meanwhile, subordinates feel incompetent and lack ambition to succeed in their career. Therefore, subordinates lack the will to achieve and have low creativity (Fatmawati, 2014).

Business succession is a vitally important issue in batik businesses. Research among batik businesses in Yogyakarta, found a three-succession tradition in batik firms run by Javanese families (Budhiyanto, 2009). Firstly, a predecessor tends to bequeath the batik firm to female children and avoids choosing male children because batik production is a special (hand) skill dominated by women. When a predecessor has no female children, the batik business is bequeathed to the daughter-in-law. Secondly, the batik business is bequeathed to a poor sibling while other siblings may be financially secure. This is a consequence of Javanese values, such as *rukun* (living in a harmony), helping each other and success in life is gauged by balancing material success and spiritual success. Thirdly, the batik business is

usually bequeathed when the parent dies. The successors continue the business to support the family need. Moreover, Javanese owner-managers arrange marriages in order to keep the skill and knowledge of the batik business. This system succeeds in sustaining the batik business through generations. Arranged marriages create new business networks for both families that help in strengthening and developing the family batik firm. This practice is the manifestation of Javanese values which advocate that the wealthier person has to distribute their wealth to other society members and where family members are prioritized (Soemardjan, 2009). For a marketing strategy, Javanese owner-managers in the batik industry of Yogyakarta rely on word-of-mouth, namely *gethok tular* (Budhiyanto, 2009) and personal networking. Another marketing strategy is to participate in exhibitions and close relationships with the Government can provide opportunities for Javanese owner-managers to get free access to exhibitions.

2.11 The Adaptation Strategy of Family Firms

Changing circumstances have influenced firms to adopt strategies of mutual adjustment, reciprocation, accommodation and co-option as adaptation processes. Numerous studies have attempted to explain that the firm needs social legitimization to survive (Aras and Crowther, 2010; Colli, 2011; Luhman and Cunliffe, 2013; Glover and Reay, 2015). In order to gain social legitimization, a firm has to adapt to the current environment, such as market, economic, political, social and cultural (Suddaby, 2010). Family firms have deep embeddedness with their local community, where they obtain resources, do business activity and live with the family (Colli, 2011).

Adaptation is the learning process and response to the dynamic environment system that is important in building business sustainability (Sun et al., 2018) and coping with a turbulent environment (Winnard et al., 2014). The adaptive capacity includes learning ability, flexibility to experiment and adopt novelty solutions and the ability to develop generalized responses to the challenges. This adaptive capacity determines the resilience² of the business. Consequently, the sustainability of the business is highly dependent on the ability of the family firm to adapt to changes in the external environment, in different historical, territorial and cultural settings (Colli and Perez, 2014).

Numerous studies have discussed the firm's adaptation process to external pressures (DiMaggio and Powel, 1983; Nordqvist and Melin, 2002; Gao, 2010; Yang and Konrad,

² Resilience is the ability of the business to return to stability after disruptions (Winnard et al., 2014)

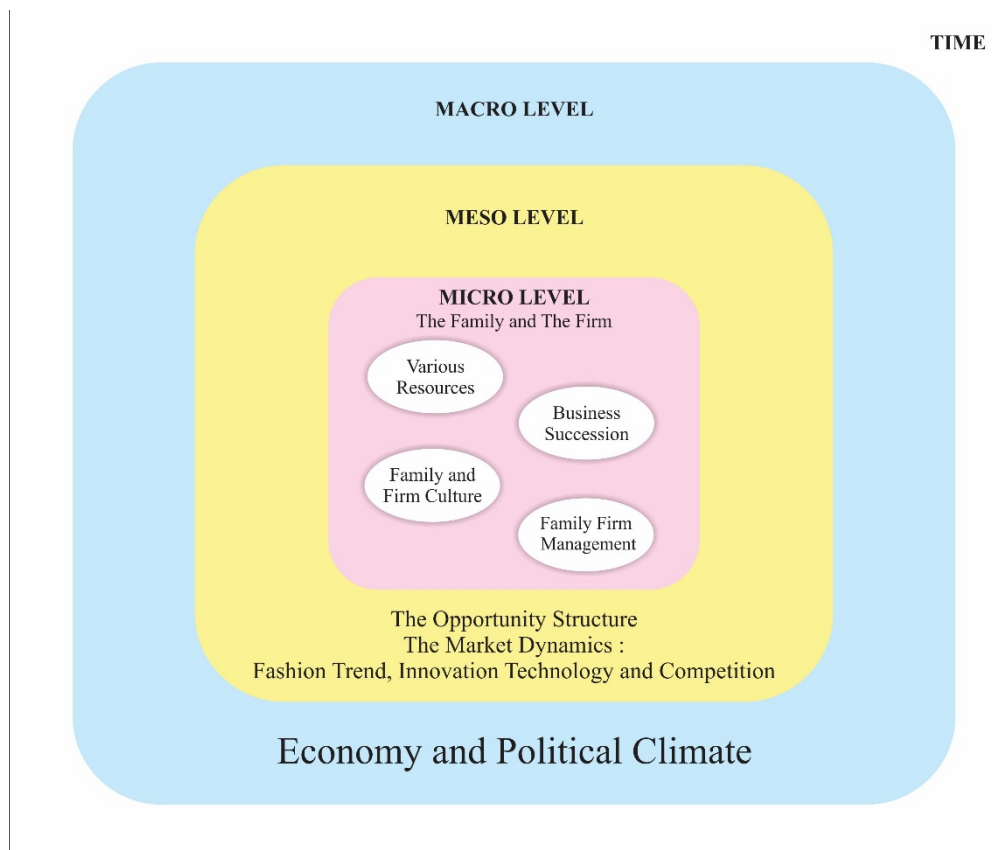
2011; Stanger et al., 2013). These studies examine the external pressures that impact on business sustainability and how the adaptation process keeps the business sustainable. The government pressures include government's policies such as tax regulations and government's bureaucracy that create either negative or positive impacts on the firm (Nordqvist and Melin, 2002). One study by Dyer and Mortenson (2005) examined political power (macro-level) and found this to be a significant resource in predicting small and medium enterprise survival and growth. Kloosterman (2003) highlights the government's policy to give direct or indirect impact to the opportunity structure (this would be at the meso-level) where small family firms have to comply with rules and regulations. Therefore, a good relationship with the government is important for business survival in the hostile environment within the context of a corrupt system (Limnios et al., 2014; Glover and Reay, 2015). Nevertheless, the small firms usually become a target of loan guarantees or grant programs (Brewton et al., 2010) which help them to survive in difficult situations and create opportunities for growing the business.

Strategic planning in running the business is vital especially in highly dynamic environment that has impact on business performance (White, 1984; Drago, 1996 Perricone et al., 2001; Tatoglu et al., 2008; Klein et al., 2013; Filser et al., 2013; Ghee et al., 2015; Bizri, 2016; Daspit et al., 2016). A study by Mills et al. (2009) examined three sense-making strategic choices to adapt to environmental pressures. Firstly, alignment strategy occurs when the firm is following the well-established and widespread strategy of other firms, especially the cutting-edge firm. This strategy correlates with the mimetic process (DiMaggio and Powel, 1983; Nordqvist and Melin, 2002; Gao, 2010; Yang and Konrad, 2011). A firm's owner-manager copies the popular strategy to reduce risk (Mills et al., 2009). It is the easiest strategy with the highest possibility of success. Secondly, avoidance strategy, which is a more difficult sense-making strategy in direct opposition to the alignment strategy. A firm's owner-manager tends to avoid popular trends and concentrates on creating unique products and services. The owner-manager retains unchanging values and beliefs to hold the firm's identity. Thirdly, prediction strategy refers to implementing a strategy to get ahead of competitors. This is a very difficult sense-making strategy because of the difficulty in making accurate predictions and, consequently, involves huge risk. However, it can position the firm favourably in the market through innovation. This study looks into sense-making strategy choices to gain a comprehensive understanding about how the strategies are related to the dynamics of environment.

2.12 Conclusion

The embeddedness perspective is deemed important to gain an in-depth understanding of the nature of sustainability in terms of growth and survival, since the actors are embedded in their social context where they respond to changing circumstances to ensure business sustainability. The complexity and dynamics of business sustainability can be analyzed comprehensively in multiple settings and contexts from a mixed embeddedness perspective which examines how the family firm is embedded at the micro, meso and macro level (Kloosterman, 2010). At the micro-level, the intermingling of family and the business is well explored (Stafford et al, 1999; Westhead, et al., 2002; Olson et al., 2003; Astrachan, 2010; Sorenson and Bierman, 2009). Meanwhile, the external environment that affects business sustainability at the meso and macro levels. Thus, mixed embeddedness in this research proposes a framework to get an in-depth understanding of business sustainability at every level. This is represented in Figure 2.1.

Figure 2.1 Mixed-embeddedness in The Family Firm



The diagram above represents the family firm embedded in their environment, which separates into micro, meso and macro layers. Without neglecting the meso and macro

levels, this study mainly focuses on the micro-level, discussing how the family intermingles with the firm. This overlap is a highly intricate level to be explored as the unique characteristic of a family firm.

The operationalization of the micro-level focuses on several issues: firstly, the resources that have impact on the business sustainability. For instance, family social capital as the main source of sustainability for the family firm facilitates access to other resources, such as human capital and financial capital. The combination of family social capital, human capital and financial capital promotes resilience capacity (Danes et al., 2009). Moreover, in difficult economic conditions, family is a source of help to keep the business running by using family savings, liquidating some family assets and involving family members as less paid, or unpaid, labour (Olson et al., 2003). Secondly, succession is a critical issue in determining business sustainability. There are two actuations of succession success, such as the heir's economic potential (Getz and Petersen, 2004) and the absence of succession planning (Tan and Fock, 2001). Thirdly, a family firm governance philosophy has impact on generating a business strategy, business success and might create obstacles, which threaten business sustainability. Lastly, family and firm culture which impact on the gender role in the family firm and the cultural values that affect how the owner-manager interprets and responds to the changing environment. The cultural context has been considered in this study since the family is a conductor of cultural values that are crucial in determining the entrepreneurial process (Danes et al., 2008).

In addition, the meso-level of opportunity structure and macro-level of economic and political climate are incorporated as contextual dimensions, in which the family firm activity is perceived as conducted in a socio-economic dynamic, not in a vacuum. Some pressures generated from several external sources, such as government and cooperative associations, competition environment, professional organisations, interest groups, customers and public opinion could impact on business sustainability. The details of meso and macro levels will be further explored in chapter 4.

Chapter 3 Methodology

3.1 Introduction

In this chapter, I present details of the ethnographic method I used in this study, applying a life-business history approach. This chapter is important in order to understand how the data have been gathered and interpreted.

I start with the paradigm I used and offer the overall philosophical background, philosophical assumptions (ontology, epistemology and methodological assumptions) and the methods I used. Further, I offer a justification of the way I conducted my research, what I have done and the reasons behind my choices. Moreover, I explain the strategy I used to gain access to the field and the process behind the way I approached potential participants. In addition, I give a profile of all my participants. I also explain how I collected and analyzed my data, and a reflection on the way I conducted my research.

The objective of this research was to gain an in-depth understanding of the nature of sustainability (in terms of growth and survival) in traditional batik family firms in Indonesia by exploring how they respond to changing circumstances at the micro (the family and the firm), meso (the market and institutional environment) and macro (the economic and political climate) levels. This will add a new perspective to existing approaches in family firm sustainability studies and offer a more holistic conceptual framework for the study of family firm sustainability.

3.2 Research Paradigm

This research explores the experiences of family business owner-managers in responding to changing circumstances and thus how they adapted their strategies in order to sustain their businesses. It follows the broader interpretivist tradition that sees ‘reality’ (ontology) as relative, and socially and locally constructed by individuals and groups, and sees knowledge (epistemology) as subjective; knowledge comes from interaction between researcher and researched and is always interpreted (Schwandt, 2007; O’Grady, 2014). This paradigm helps to understand human behaviour and the complex, dynamic and relational qualities of social interactions by highlighting relational processes and the

contexts in which they are embedded (Dawson and Hjorth, 2012, Creswell, 2008); understanding people from within the world in which they live and work (Creswell, 2007). This approach enables a detailed examination of people's experiences (Hennink et al., 2011). It also allows researchers to make sense of and interpret their understanding of others in the world, and to understand the meaning of human action by analyzing textual forms (Carter and Little, 2007). Further, language is considered important in order to describe and explain the realities people adhere to in the contexts in which they live (Schwandt, 2007). The use of this qualitative research paradigm aims to reflect the daily life of individuals, groups, society and organisations (Punch, 1998). Furthermore, as shown by Nordqvist et al. (2009) an interpretive approach is particularly suited to get an in-depth understanding of complex, tacit phenomena and processes related to the dynamics of ownership, management and development in family businesses.

From the interpretivist tradition, this research was conducted in an ethnographic manner in order to capture the specific complexity and dynamics unique to family firms in this particular Indonesian setting. Ethnography is the exploration of social and cultural meaning of a given group and involves trying to get as close as possible to the real-life world of those studied (Maanen, 2011; Brewer, 2000; Creswell, 2007). I used ethnography – with observation as one of its core tools – to gain an in-depth understanding of owner-manager behaviour, to offer new insights into the way family firms could be sustainable, while paying attention to the cultural and institutional factors that either constrain or enable the advent of family firms (Johnstone, 2016).

To get a better understanding of a firm's sustainability, I used what is called a life-business history method. The reason behind this decision was the unique features of family firms themselves in patterns of ownership, governance, management, and succession, which affect their structures and strategies (Chua et al., 1999). In addition, Reid et al. (1999) suggest that the interrelations between the family and the firm within a family firm should be recognised. The life-business history method enabled me to engage in this unique field by exploring the business owners' life histories in conjunction with the historical development of their businesses (Koning and Dahles, 2009); this can illuminate small family firms' responses to changing circumstances. Following this method, the interviewees were invited to recall the developments of their firm in the batik industry from as far back as they could remember. This required prolonged engagement (in-depth interviewing and observations) with these owner-managers to explore their experiences

both in their private lives and in their businesses. Because of the life-business history approach, the main research participants were the owner-managers of batik firms as they would be the best resource to convey the history of the firm in connection to their own lives. I also talked and had conversations with others, see below, but relied on the stories of the owner-managers for the core of this thesis for these reasons. The main feature of business history is thus the compilation of individual stories and cases (Colli, 2011).

3.3 Research Location

I chose the batik industry in Lasem because it has a long history of family firms active in this industry; some have existed through tough conditions for several generations. This is in contrast to family firms in general, which have difficulty in sustaining their businesses up to the third generation (Yan and Sorenson, 2006; Leach and Bogod, 1999). Further, Lasem is one of the batik centres in Indonesia that still exists and continues to produce batik using traditional methods. My previous research found that batik centres in Yogyakarta were unable to survive and many batik business owners changed to other types of business (Budhiyanto, 2009). Furthermore, almost all batik owner-managers in Yogyakarta were Javanese, while in Lasem, the batik industry is largely dominated by ethnic Chinese owner-managers who had pioneered the industry. Therefore, it is interesting to investigate how Lasem batik owner-managers managed to sustain their businesses in changing circumstances. To an important extent, the sustainability of these family firms might secure the existence of batik as an Indonesian cultural heritage product, which traditionally is made using a wax resistant-dyeing technique by *canting* (a pen-like tool).

I used the definition by Olson et al. (2003) to categorize family firms in this research as those that are owned and managed by one or more members of a household who are related by blood, marriage or adoption. I decided to concentrate on the family firms owned and managed by two different ethnic groups who play a significant role in the Lasem batik industry, notably Chinese Indonesian and Javanese. These two groups are native Indonesian people born and raised, and hold Indonesian citizenship; however, they are from different ethnic backgrounds. The Javanese are the largest ethnic group who live on the island of Java. On the other hand, Chinese Indonesians are descendants of the Chinese diaspora who have been living in Indonesia for many generations. They are well embedded into the Indonesian environment and generally identify themselves as Indonesian with some Chinese heritage. I will use the terms Chinese Indonesians (or ethnic Chinese,

depending on the flow of the text) and Javanese to identify their ethnic background. Thus, I refer to the participants as Chinese Indonesian (or ethnic Chinese) owner-managers and Javanese owner-managers.

Figure 3.1 Map of Indonesian Archipelago³

Figure 3.1 has been removed from this version of the thesis due to copyright restrictions

Figure 3.2 Map of Lasem⁴

Figure 3.2 has been removed from this version of the thesis due to copyright restrictions

³Source: <https://phinemo.com/hari-pangan-sedunia-2018/peta-indonesia-lengkap-dengan-provinsinya-1024x635/>

⁴ Source: <https://rembangkab.go.id/peta/>

This research was conducted in Lasem sub-district and the surrounding villages in Pancur and Sale sub-districts (see the map above). These areas were chosen because most Lasem batik business activity is conducted there. The centre of the batik industry is located in Lasem, including the villages of Babagan, Gedong Mulyo, Karangturi and Sumber Girang. In the past, the batik industry in Lasem was mainly managed by Chinese Indonesian owner-managers who lived in Lasem City. However, when the Lasem batik industry flourished the business activity spread out to surrounding villages. Women villagers from Pohlandak, Selopuro, Karasgede, Jeruk, and Gading were employed in Lasem batik firms.

The ethnic Chinese batik firms are concentrated in the Chinatown area in the centre of Lasem City. This is a remnant of the *wijkenstelsel* system the Dutch East Indies government applied, which grouped the residents of Chinese descent together in a certain location which later became known as Chinatown (Setiono, 2007). The Chinatown area in Lasem sub-district comprises Sumber Girang, Babagan, Karangturi, and Gedong Mulyo. On average, the participants reside in the old ethnic Chinese houses they inherited from their ancestors, the architecture of which displays a mixture of Chinese, Indies and Javanese styles surrounded by high walls with double layered main gates. They told me that these houses had been passed down for generations and have been preserved. However, they did not know when their houses were built. Only three participants did not live in an old Chinese house. On the other hand, Javanese batik firms are spread through the villages near Lasem City, where the batik workers live.

3.4 Gaining Access

Gaining access for ethnographic research is crucial and challenging (O'Reilly, 2009). Consequently, I made solid preparations in my approach to gain access. I already had some background knowledge about what my field research might entail, since I had done preliminary research in the field in September 2011 and from January 2012 to May 2012.

I returned to Lasem to conduct my main research in November 2013. Even though I had gained some insight during my preliminary research, I decided to start by only making observations in the first week and thus I wandered all over Lasem City and surrounding villages. Initially, I explored the site while driving around by car in order to become familiar with Lasem and the surrounding areas. I also did this to see what progress or development had taken place in Lasem, particularly in the batik industry, since my preliminary research. To have a closer look at the situation and the condition in my

research sites, and to bond with the field, I chose to ride a motorbike. I already knew from my previous research that it was impossible for me to go around on foot or to ride public transportation since it was not available in all locations. There was no motorbike rental in Lasem but fortunately I managed to borrow the motorbike of my key informant. With my bike, I had no trouble taking all kinds of roads and I even managed to navigate narrow alleys to explore my research site up close. Besides, my presence would not be too conspicuous which was important since it was rare to see cars wandering around in village areas. I took a closer look to find out whether the conditions I had encountered during my preliminary research had changed or not, for example, the number of batik shops, changes in batik showroom displays and the owner-managers' residences as well as changes in the general conditions in Lasem City. I did this to get a better understanding of the area and to map the locations of potential participants. I also contacted the participants and my key informants from my preliminary research such as Siem Fei Lung, Liang Tio San, Wen Soen Lie, Lie Sio Lan, Siem Djun Gwan, Huang Tjaw Hien, Fahri and Rusmanto. I contacted them again to further explore their experiences with their batik family firms.

Firstly, I contacted Siem Fei Lung (Chinese Indonesian, aged 38) to see if he was willing to be my key informant. I asked him to explain the current situation in Lasem and how the batik industry in Lasem had developed. He was a source of many stories about what had happened in the Lasem batik industry since the last time I had met him. He was able to do so because he knows Lasem very well. Siem Fei Lung had many relatives all over Lasem; he was born and had spent most of his lifetime in Lasem, except when he was studying at university level. Therefore, many people knew him. He was a dealer in antique furniture who was also active in organisations, especially those related to ethnic Chinese education in Lasem. I was introduced to Siem Fei Lung by my cousin's husband who is from Lasem and who is also Siem Fei Lung's cousin. Consequently, these close ties made it easy for me to be accepted. Moreover, his father was active in an ethnic Chinese organisation in Lasem, especially in the religious organisation of *Klenteng* (Chinese Temple) and he often helped people. This meant that Siem Fei Lung had extended networks in the Lasem community. His credibility made it much easier for me to gain access to Chinese Indonesian batik owner-managers.

I learned during my preliminary research that approaching Chinese Indonesian owner-managers was not easy since the ethnic Chinese in Lasem are a very closed group that do not interact easily, especially with people they do not know. I was fortunate to have Siem

Fei Lung to gain access to Chinese Indonesian owner-managers. Knowing Siem Fei Lung really did make a difference when I met the ethnic Chinese participants he introduced me to, or had recommended for me to see. They tended to be more open and quickly became familiar with me when they learned that Siem Fei Lung had recommended me.

My prolonged field research in Lasem – preliminary research from September 2011 to May 2012 and the research for this thesis from November 2013 to July 2014 - also gave me the opportunity to build good relationships with my participants. I visited their houses a few times and chatted with them and by doing so easily gained their trust resulting in the richness of the information I was able to collect.

Having a key Chinese Indonesian informant contact with ethnic Chinese participants went smoothly, therefore I concentrated more on obtaining Javanese participants. In order to get access to Javanese owner-managers, I chose to rent a room in a boarding house near the Islamic boarding schools *Pondok Pesantren*⁵ Kauman and *Pondok Pesantren Nailunnajah* in Karangturi village, Lasem sub-district. I chose to stay there because society in that location seemed to be open. The people were often seen in front of their houses talking to the people who passed them. In addition, the place was a strategic location to explore Lasem and surrounding villages. Also, there were many small coffee and food stalls (*warung*) where the people exchanged information. Javanese owner-managers were predominantly Muslims and I thought that this might help me get into their network; the ethnic Chinese participants were mainly Christians (I had to be careful due to religious tensions that at times flare up in Indonesia).

Initially I felt out of place because everyone looked at me strangely. I was the only Chinese Indonesian woman who lived in their area. I decided to continue living in this location in the hope of being accepted and so being able to collect information from the local residents who were all Javanese. In addition, the area was quite densely populated with small, narrow alleys that were only accessible on foot or by motorbike. Each day I bought my breakfast at the food stalls around my boarding house in the hope of gathering information about the batik businesses managed by Javanese owner-managers. I made friends with my neighbours and slowly they opened up to me. Based on their information, I contacted Javanese owner-managers who later became participants in my research. Once established, I did not have any noteworthy difficulties in my attempts to approach them. Some were

⁵ A *pondok pesantren* is an Islamic educational institution founded by Islamic religious leaders where male and female students live in dormitories during their studies.

initially shy, but relaxed once we started talking and after they got to know me. I stayed in the *Pondok Pesantren* area during my time in Lasem so they became familiar with me and willing to be my participants, sharing their experiences. It convinced them that I am an open-minded woman who accepts difference.

However, my decision to live in the *Pondok Pesantren* area had some consequences for my relationship with my ethnic Chinese participants. They thought I was weird. Some of them suggested that I should find another place to live. Therefore, I decided to approach my Javanese participants first. Then, I moved to the church manse in Gedong Mulyo village after one of my participants strongly advised me to live there. After I moved, some of my Chinese Indonesian participants became more comfortable with me and I was more accepted.

To blend in, I followed what Atkinson and Hammersley (2007) recommended which was to look like a participant in order to become well accepted. Therefore, during my fieldwork, I wore casual clothes and chose to wear flip-flops. I enjoyed representing myself this way and I was much more comfortable in Lasem's very hot climate.

The actual selection of research participants was a process. Obviously, I did not continue with potential participants who were not willing to participate. Further, I eliminated participants who did not meet my criteria, such as one potential participant who did not produce batik herself (only reselling). However, she provided useful information which helped me to get a larger picture of the batik business in Lasem and its dynamics.

The selection process of potential Chinese Indonesian and Javanese participants meant that I paid them a visit and asked them whether or not they were willing to act as my participants. When they agreed, I commenced my interviews with them. This is part of the ethical conduct in doing ethnography research. I made this decision by taking into account that the level of competitiveness among batik industries in Lasem was quite high. I could not expect that one participating owner-manager would recommend another (snow ball technique) since they compete with each other. Therefore, I decided to make a list of potential participants and to contact them directly myself. In advance, I mapped out who the batik owner-managers were and where they were located. I targeted the older family firms first. I collected the information from my key informants and from people I met in the field. The fierce competition in the Lasem batik industry led some participants to ask

me questions about their competitors; however, I never shared even the slightest information about their competitors to maintain the stability of social relationship of my participants and eliminate any negative impact of my ethnographic research.

I was able to understand my participants since I am an Indonesian. I know how to interpret my participants' conduct during my conversations with them and I had no difficulty in communicating with them since I speak both Indonesian (the national language) and Javanese (the local language in Central and East Java) fluently. Most people in Lasem use Javanese as their daily language and they are more relaxed and can more easily express their feelings when they use Javanese.

The main obstacle in my conversations – aimed at collecting life and business histories – was what people could remember, especially about the dates or times of events that happened in the past. Various elderly participants found it hard to remember. Therefore, I offered them clues about past events, for example, when talking about the financial crisis of 1998, which saw an enormous increase in the exchange rate of the dollar and a rise in the prices of basic commodities. The participants' ages did have an impact on the details of their stories. Participants tended to remember funny, happy and sad stories such as one participant who was already 87 years old. Fortunately, he had quite a few media clippings and I asked for a copy of these clippings to enable me to read more about his life experiences. Besides clippings, there were also video interviews made by a TV station. This also helped me to understand the stories told by a participant about his predecessor who had already passed away.

Putting together the life-business histories was challenging; the average participant managed to relate stories until two or maybe three generations back, because they still had a living memory about that time. Obviously, they preferred to tell me about the extent of their own experiences. This means that the life-business histories are based on memory and do not necessarily represent a 'factual' history.

3.5 The Data Collection Process

I conducted my field research by staying in the field for a period of time. In order to maintain freshness and not to 'go native' too much as described by O'Reilly (2009), occasionally I withdrew from my field research. I did not find this hard because my field

research sites were close to where I lived. This geographical proximity also made it easy for me to return to my field research sites during the writing process to collect additional data. I usually remained in the field six days a week continuously. However, I was flexible with the time I spent in Lasem and I went back home when I felt I had a lot of information and when I needed a break to reflect and come up with further questions and themes to be explored more in-depth.

I collected my data through in-depth interviews by letting my participants relate their experiences. To obtain detailed information, I ensured that the participants felt comfortable when they were talking to me. Usually, I started the conversations by asking them to tell me about their everyday life before moving to topics I felt were important in the research. In order to help me remember the information that participants gifted, I recorded the interviews with the participants' consent. I did not dictate a specific length of time for each 'interview'. I tried to make the interview moments as natural as possible and let the research participant take the lead. When he or she looked as if they were still enjoying the conversation, I would continue taking the opportunity to explore their experiences in as much detail as possible. However, when I saw that they looked somewhat uncomfortable or unsettled, I would offer to finish the conversation and would make another appointment. Due to the life-business history approach I could spend anywhere from one to three hours with a participant for one interview session, mostly when he or she had free time. Most of the interview sessions would be conducted more than once; dependent on the willingness of the participant to be interviewed. Sometimes, I only visited the participant without conducting an interview, for instance if I saw they were busy, even though we already had an appointment. I would then only observe the situation and what he or she was doing.

While interviewing, I also paid attention to the participants' gestures, which expressed their feelings and states of mind, such as anxiety, anger, joy and sorrow. During and after the interview sessions, I made notes in my fieldwork diary for every interesting piece of information. I made little notes to help me remember things such as the participants' names, where they lived, and the years events took place and other relevant details. I also made spatial explorations to form a comprehensive picture of the settings where the participants stories took place, for instance parts of a building, production sites or places in their neighbourhood (Waal, 2009). I documented this information in the form of field notes and pictures, for instance, floor plans of a showroom, production sites and the areas where my participants lived. Due to privacy agreements, I have not enclosed these here.

Besides interviewing participants, I paid attention to activities and everything else that I deemed interesting, which might enrich my understanding in relation to my research. For example, there was a banner of a competitor's business attached on the wall of a food stall located next to the participant's showroom, which it transpired indicated fierce competition. The pictures constituted physical 'data' and formed the media that helped me to remember and to relive the field while I was analyzing my data and writing up a chapter. I also engaged in informal conversations with people I met at the research site, such as batik workers, shopkeepers, food stall owners, other family members, customers and villagers to enrich and further contextualise the information, particularly relevant for my own meaning-making. However, as mentioned above, the batik business owner-managers were my main participants since they are the person in charge and give direction to the business.

Before collecting data, I made some interview guidelines and a list of topics I wanted my participants to share (see appendix 3 Interview questions). Initially, I planned to make an appointment with participants before conducting the actual interview. In fact, they chose to do interviews straight away on the spot. I occasionally had to wait when they were busy receiving guests or when their outsourced staff handed over their batik products. While I was waiting, I spent my time observing what went on. I had to resort to another approach with participants who were themselves engaged in the production processes, particularly Javanese participants. I chose to conduct my interviews during the day so that I could directly observe their business activities. I did not make appointments in the evening since it was their time to rest. Moreover, people in rural areas usually do not receive guests in the evening.

I used observation as one of my techniques for collecting data in this study. The information that could be obtained in this way included the ways participants ran their businesses and the interaction patterns between the participants and their employees, as well as the involvement of family members and the way customers were treated. Through my observations, I was also able to make triangulations of the information as reported by my participants. For example, when a participant told me about his wife's role in his batik business, I indeed saw that his wife was busy selecting, counting and arranging the batik fabrics before they were dyed.

I did not conduct my observations at regular times because that is unacceptable in rural communities. The people might feel that they were being investigated which might lead to the dangerous situation that they did not trust me, which ultimately would have a negative impact on my participants' openness to tell me about their experiences. Therefore, I preferred to conduct my observations while I was having my conversations with them in order not to make them get the feeling that they were being watched. Particularly as our conversations were usually interrupted by activities the participants had to do, such as preparing lunch for batik workers, distributing work to batik workers, and attending to customers. It gave me the chance to observe.

I collected my data by visiting my participants, and I usually started with small talk until they felt comfortable. Then I conveyed my intention and the purpose of my visit. Once they agreed to participate, I started my interview. I began by asking questions and listening to their stories. During these conversations, I tried to be welcoming, open-minded and friendly so that they were comfortable with me and no longer shy or awkward when expressing their emotions. When they told me their life-business histories, they showed their positive and negative emotions. Therefore, occasionally I tried to encourage them to neutralize their feelings in order to minimize the psychological impact of the interview. Almost all my participants refused to tell me outright about the conflicts that occurred in their families. They just said that they had a family conflict, but they did not want to explain how exactly these conflicts impacted on their businesses. They believed that family conflicts were private matters that were not to be discussed. This applied equally to my Chinese Indonesian and Javanese participants. However, I saw from their expressions that these conflicts made them feel uncomfortable and I did not push them to tell me about it. I decided to explore the conflict through indirect questions and explore more on the effects of the conflict rather than the conflict itself. I did not want to lose their trust which could potentially interfere with their acceptance of me.

One obstacle I faced was to obtain financial information in order to assess business performances, since the family firms tried to evade government inspection and paying taxes. Financial data can be important to calculate the dynamics of the participants' business performance more accurately. In addition, long-term financial data could also help to support explaining the sustainability of their business. Unfortunately, it was impossible to get financial data over a prolonged period of time since the majority of my participants did not engage in bookkeeping and/or did not want to share this (this is a

common problem in small and medium sized firm research) to see the ups and downs of the batik business. I solved these obstacles by exploring other information that could describe business performances such as their business conditions and what they did with their profits; if they had recently purchased a house or land; if they were about to expand their businesses either by opening new branches or by renovating their place; rising or decreasing demand (based on participants' opinion about their business performance); and by making spatial observations by looking at the shape of buildings, housing areas, furniture, etc. which gave some indications as to their financial position. In other words, this study does not intend to measure performances based on financial indicators; but rather on the ability of family firms to survive by looking at performance in relation to survival and permanence, the ability to give appropriate responses to changing circumstances, and the reputation and sustainability of their business.

To bring logic to the data collected from several sources, I undertook a triangulation process. Triangulation process is essential for ethnographic validation to verify the information in order to assure the quality of the information and to get a comprehensive understanding of the actor's action (Fatterman, 2010; Stake, 2010). I triangulated the stories told by the participants naturally in the conversation by posing different questions to get consistency with their earlier information. As part of the triangulation process, I also collected information from other sources, such as family members, batik workers, food stall owners, the community living in the research area, and experts in the batik business in Lasem. In addition, Hair et al. (2011) suggest that triangulation could be conducted by finding secondary data. For instance, I watched the video interview with the participant and the participant's predecessor, who had since passed away, which had been broadcast by the TV station. I also read the participant's interview in the newspaper, as well as other documentary sources.

To broaden my horizon about Lasem and its batik industry, I had an interview with Utomo, the leader of the Lasem Communication History Society Forum (*Forum Komunikasi Masyarakat Sejarah Lasem*) located in Gedong Mulyo. Further, I conducted an interview with Wang Shen Ren, the chairman of the non-governmental organisation, Indonesian Pluralism Institute (IPI), who explained the programmes he ran at *KUB Kunthi* and who offered some general information about the batik business in Lasem. I have built a relationship with him since 2011 when I was doing preliminary research about the batik business in Lasem. I also collected information from several people I met during my field

research, such as Siem Fei Lung's mother, stall owners, church members, boarding house owners and batik workers. These additional conversations helped me to understand the stories of the participants and also facilitate the triangulation data process.

3.6 The Profiles of the Participants

This section provides information about the owner-managers who were committed to be my participants. The main criteria I used for choosing the participants was that they had to be owner-managers who produced and sold their batik products. I had eight Chinese Indonesian and nine Javanese owner-managers who agreed to talk about their experiences. I divided my participants' profiles into two groups based on their ethnicity. Following is the Chinese Indonesian owner-managers' profiles.

Table 3. 1 Profile of Chinese Indonesian Owner-managers

Name of business owner	Age	Gender	Name of batik business	Generation	Start	Started own business	Inherited business	Number of workshop batik workers
Huang Tjaw Hien	87	Male	Bunga Megah	3 rd	1967	☐		15
Wen Soen Lie	71	Female	Sinar Megah	1 st	1975	☐		10
Tjiang Sian Me	71	Female	Rusa Kuning	4 th	1976		☐	6
Liang Tio San	47	Male	Gaman Jaya	3 rd	2005	☐		175
Zhang Liem Tjan	33	Male	Zhang Liem Tjan	5 th	2013		☐	Used his mother as batik worker
Lie Sio Lan	33	Female	Merah Delima	5 th	2010		☐	12
Liem Lie Tiaw	31	Male	Hijau Daun	5 th	2012		☐	7
Siem Djun Gwan	31	Male	Rembulan	3 rd	2007		☐	50

The first participant was Huang Tjaw Hien, an 87-year-old Chinese Indonesian owner-manager, who had run his batik business, Bunga Megah, since 1967. He is the most senior batik owner-manager in Lasem still running a batik firm. I was introduced to Huang Tjaw Hien by Wang Shen Ren who had a close relationship with him which enabled me to get his rich life-business story. His batik business was located in his parents' ancestral house in

the China-town area of Babagan village, Lasem sub-district. In fact, his wife, named Muningsih, looked more active in running the daily business activities with the assistance of about fifteen batik workers.

Huang Tjaw Hien was the eighth generation of mainland Chinese descent who came to Lasem. As far as he knew, he was the third generation of the Huang clan family who still ran a batik firm in Lasem. It might be possible that more than three generations have run the business; however, a life-time limitation of knowing no more than the third generation restricts the information, especially when there is no written record or pictorial artefact. In his time, his father had a successful batik firm that operated under the business name of Huang Tjien Tie (his father's name) Batik. It was common in those days to call a batik firm by his or her producer's name. However, the Huang Tjien Tie batik family firm closed in 1942 during the Japanese occupation government period (1942-1945), which imposed strict economic rules. The success of the Huang Tjien Tie batik family firm business was reflected by the house that is currently inhabited by the Huang Tjaw Hien family. The house is very spacious, fused with a batik workshop surrounded by a thick, three-metres high fence. Huang Tjaw Hien started his batik family firm in 1967. He used his father's batik firm's tools and equipment in his start-up business, because he was bequeathed his father's house and batik workshop.

About twenty metres away from the Huang Tjaw Hien family firm, there is the house of my second participant, Liem Lie Tiaw, a 31-year-old Chinese Indonesian owner-manager. When I had finished my interview with Huang Tjaw Hien, I explored the houses along the Babagan IV alley. I found a house with a sign saying Hijau Daun Batik. This firm is owned by the fifth generation of the Huang clan family business who is a relative of Huang Tjaw Hien (my first participant). Liem Lie Tiaw's grandfather, named Huang Tek Khoen, is the younger brother of Huang Tjaw Hien. Liem Lie Tiaw was very friendly and happy to have long talks and share his life and business experience. Thus, it was easy for me to obtain valuable information from him. Liem Lie Tiaw took over his father's batik family firm in 2012 when his father fell seriously ill and subsequently died.

The third participant, Tjiang Sian Me (71 years old) lives about 200 metres to the south of Huang Tjaw Hien's house. She is the owner of the Rusa Kuning Batik family firm, which is popularly known among the people under the name of Bah⁶ Zhang Batik, under her husband's nickname. Tjiang Sian Me is the fourth generation of the Tjiang clan to run the

⁶ Bah is a word used for 'man' among the Chinese community.

batik firm. Tjiang Sian Me inherited her parents' batik firm, Tjiang Wei Djun Batik, in 1976. Later, Tjiang Sian Me named the business, Rusa Kuning Batik; however, she still applied the Tjiang Wei Djun stamp in her products.

When I interviewed Tjiang Sian Me, her son, Zhang Liem Tjan, also sat with us and he told me that he had moved to Lasem because he decided to return home to run his parents' business. Therefore, I asked Zhang Liem Tjan to be my participant. He was in the process of learning the batik business from Tjiang Sian Me and he chose to stay there with his family. Zhang Liem Tjan is the youngest of Tjiang Sian Me's three children. Initially, after graduating from college in 2004, Zhang Liem Tjan worked as an accountant for a company in Jakarta. Zhang Liem Tjan had changed work twice in the last 10 years before he finally accepted his mother's offer to learn how to run the batik business and inherit his mother's business.

Fifty metres to the north of Babagan village is the village of Gedong Mulyo where my fifth participant lived. He was Siem Djun Gwan, a 31-year-old Chinese Indonesian owner-manager and a third generation of the Kho clan batik family firm. The first time I met Siem Djun Gwan, I was introduced by Siem Fei Lung, one of the key informants in my research. Since Siem Fei Lung is Siem Djun Gwan's cousin, it was easy for me to ask Siem Djun Gwan to be my participant. Both parents of Siem Djun Gwan come from a batik family firm background. According to Siem Djun Gwan, he was the only one from his father's family who still ran a batik firm. However, from his mother's family, there was another person who inherited a batik business, namely, Kho Tjoe Liong

In 1979, Siem Djun Gwan's parents started their batik business. At that time, Siem Djun Gwan's grandmother taught his mother named Kho Lan Me how to make batik while she learned how to dye from her father, Kho Tjoe Yap, who was widely known in Lasem for his dyeing skills. Kho Lan Me started-up her own batik firm, which she later called Naga Batik. Kho Lan Me did not inherit her parents' firm after Kho Tjoe Yap died in 2004 because it was passed down to Kho Tjoe Liong, Kho Lan Me's brother who was the only male child among Kho Tjoe Yap's descendants. In 2000, the Naga Batik brand name was changed to Rembulan Batik, because a batik firm in Bandung had used the name, Naga Batik. To maintain the business positioning in the market after it had changed its name to Rembulan Batik, the Naga symbol continued to be used in the new firm's logo in order to retain former customers.

The sixth participant in this research lived in Karangturi village, around three hundred metres to the south of Babagan village. Siem Fei Lung introduced me to the 33-year-old female Chinese Indonesian owner of Merah Delima Batik, named Lie Sio Lan, who was the fifth generation of Go San Tien Batik. Lie Sio Lan inherited the Merah Delima Batik firm in 2010 after her mother, Go Sien Nie, passed away. The Merah Delima Batik firm was one of the batik businesses that survived for five generations, even though it was nearly closed in 1990 when Lie Sio Lan's grandmother decided to live in Jakarta with her uncle.

The seventh participant was the owner of Gaman Jaya Batik located in Sumber Girang village, five hundred metres to the South of Karangturi village. Initially I came to Gaman Jaya batik with Siem Fei Lung who introduced me to Kie Lian Nio, Liang Tio San's wife. I managed to meet Liang Tio San (the owner-manager) after having visited the firm more than once. He was often out of town busy with attending exhibitions. Liang Tio San is the 47- year-old Chinese Indonesian owner-manager, the third generation of the batik business of the Liang Xiao Tjun family. However, he did not inherit the business from his parents because his parents' firm had been closed in the 1990s because of financial difficulty. In Lasem, Liang Tio San is considered a phenomenal batik owner-manager because of his innovations in managing his batik workers by setting up a workshop in the workers' village and providing soft loans to his batik workers to help them financially. Liang Tio San is the initiator of the Lasem batik cooperative and became the first chairman from 2008 to 2013. In 2010, Liang Tio San was awarded the Upakarti⁷ of Preservation Service Award by the sixth Indonesian President, Susilo Bambang Yudhoyono.

The eighth participant was the owner of Sinar Megah Batik located in Sumber Girang village, around 100 metres from Gaman Jaya Batik. This firm was managed by Wen Soen Lie, a 71-year-old Chinese Indonesian owner-manager. She is the only participant whose parents were not running a batik business, but were grocery merchants. Wen Soen Lie was inspired by her cousin who successfully runs a batik firm.

The next group of participants are the Javanese batik owner-managers. The following is the summary of the profiles of the Javanese batik owner-managers.

⁷ Upakarti is the award given to a small business owner for his or her dedication in developing and encouraging small industry and handicraft.

Table 3. 2 Profile of Javanese Owner-managers

Name of business owner	Age	Gender	Name of batik business	Generation	Start	Start-up their own business	Inherit Business	Number of outsourced batik workers
Kasmini	62	Female	Kasmini	1 st	1973, (in 1998 closed)	<input type="checkbox"/>		Already closed, helping her daughter's batik firm
Suprapti	62	Female	Tan Go Liang	1 st	2007		<input type="checkbox"/>	10 (all workshop batik workers)
Fahri	54	Male	Rusa Makmur	1 st	1987	<input type="checkbox"/>		75
Rukmana	51	Female	Rukmana	1 st	2005	<input type="checkbox"/>		2
Rusmanto	45	Male	Raja	1 st	2008	<input type="checkbox"/>		45
Jasmari	44	Male	Mawar Melati	1 st	2011	<input type="checkbox"/>		10
Sulastri	41	Female	Suka Rame	1 st	2009	<input type="checkbox"/>		30
Indriyati	40	Female	Meranti Baru	2 nd	2008	<input type="checkbox"/>		12
Mardiyan	39	Female	Gajah Buana	1 st	2010	<input type="checkbox"/>		2

The first Javanese participant was Kasmini, the only participant who no longer ran her batik firm as it closed permanently in 1998 during the monetary crisis. Before closure, she ran her business in Selopuro village. I met Kasmini when I interviewed her daughter, Indriyati. Kasmini told me that she also used to be a batik owner-manager. Therefore, I made an appointment to interview her as well to learn about her experience in running a batik business and why she was unable to sustain her batik business.

Kasmini is the daughter of a batik worker in Selopuro village. She used to work as an outsource batik worker with her mother. Kasmini used to help her mother by finishing batik drawings. In 1973, Kasmini tried to make her own batik by buying unbleached natural cloth from a Chinese Indonesian owner-manager who had recruited her as an outsource worker. In 1987, Kasmini became a member of the joint business group, Melati. In 1991, she discontinued her batik business because she lacked capital; meanwhile, the Melati joint business group had been dissolved. Unfortunately, her husband had an accident and could no longer work. Kasmini was forced to find an income so she returned to outsource batik work to support her household's needs. She was able to accumulate small capital to make her own batik product to sell to her previous customers in the traditional market in Lasem. However, her batik business was closed permanently in 1998

when Indonesia was hit by the economic crisis. For the time being, Kasmini, who is 62 years old, lives with Indriyati and now she helps her daughter with batik drawing.

Indriyati, Kasmini's daughter, was the second Javanese participant who lived in Sumber Girang village. Sumber Girang village is located next to Selopuro village, and only separated by a single street. Her batik business is called Meranti Baru because her mother used to be a member of the Melati joint business group. Indriyati added the word *Baru* (meaning 'New') to indicate that she belonged to the new generation of Melati batik.

The third Javanese participant was the owner of the Rusa Makmur batik firm located in Selopuro village, 150 metres from the Meranti Baru batik firm. Its owner, Fahri, told me that he had no job experience before he became a batik owner-manager. However, during my triangulation process it transpired that he had once worked for the Chinese Indonesian owner-manager of Rembulan Batik. He was in charge of the dyeing process. According to Fahri, he started his batik business in 1987.

The fourth participant was the 62-year-old Javanese owner-manager, Suprapti, who inherited her batik firm from her partner in Karangturi village. According to local people, Suprapti used to be a batik worker in Tan Go Liang's batik firm, who later became her partner. Despite the fact that she was married with her husband and had children in another village, Tan Go Liang as a single man took her as his concubine. After Tan Go Liang had passed away, Suprapti continued to manage Tan Go Liang's batik firm as he was childless. During my interviews, Suprapti was less open about herself. However, my observations and small talk with her batik workers revealed that Suprapti had set up and managed her own business activities such as deciding on the batik patterns, dyeing and managing her ten batik workers. Suprapti appeared to know how to instruct her batik workers and she knew exactly what to do. I also saw that Suprapti did not keep a large stock of batik clothes; there were some half-finished pieces lying on the table, which were pre-ordered by her loyal reseller. The ancient building where Suprapti conducted her production looked unkempt and an air gas cylinder merchant was renting in front of the house. There was no signboard in front of her house, therefore, people who do not live in Lasem would not be aware that she produced and sold batik clothes. However, according to Suprapti, her batik firm was well-known in the Lasem community as Tan Go Liang Batik and this was the reason she did not have a signboard.

Sulastri was the fifth participant. She was a descendant of a batik worker who lived in Babagan village. Her grandmother and her mother used to work for a Chinese Indonesian owner-manager in the Rembulan Batik firm. After graduating from senior high school, Sulastri followed in the footsteps of her predecessors and she worked as a daily batik worker for the Rembulan Batik firm as well. In Babagan village, most Javanese women have the skills to make batik, especially those who do not own rice fields.

In 1997, Sulastri married and had children, thus she decided to become an outsource batik worker since most of her time was used in taking care of her children. In 2009, Sulastri started her own batik business with only 25 unbleached natural clothes, under the business name, Suka Rame.

The sixth participant was Jasmari who lived about five hundred metres from Sulastri's house. Besides working as the head of the Krajan sub-village in Babagan village, Jasmari also ran a batik firm called Mawar Melati. After graduating from senior high school, he worked in Jawa Tengah Bank in Lasem. Unfortunately, he was unsuited to that job, so he tried to sell ants' eggs. However, this lasted for only two years. He stopped selling ants' eggs after one of his wife's uncles offered him a job on Kalimantan island⁸ as the head of production in his wife's uncle's family company. However, in 2001, Jasmari contracted malaria and typhoid while he worked on Kalimantan island. Therefore, he decided to return to Lasem.

In order to make a living after he recovered, Jasmari sold many things to support household expenditure, such as clothes, and snacks such as spring rolls and resoles⁹ which he delivered to various school canteens. In 2006, he became a head of the sub-village. At the end of 2010, Jasmari started focusing on his batik business, even though he was not a descendant of a batik worker. He chose the batik business because batik is one of the flagship products in Lasem and the expression of a magnificent local culture, and he saw it as a big opportunity. Until his present age of 44, Jasmari has maintained his position as the head of Krajan sub-village. This position, which has a retirement age of 60 years, helps him to access government programmes.

My seventh participant was Rusmanto, a 45-year-old Javanese owner-manager, who lived about one kilometre from Lasem's city centre in Sumber Girang village. He was the former

⁸ Kalimantan island is the biggest island in the Indonesian archipelago. It is also called Borneo island.

⁹ Resoles is a kind of traditional snack.

head of the Sumber Girang village for the period 1998 to 2007. In 2008, he started to focus on making batik when he failed to be re-elected as a village head. However, he did not come from a batik worker's family. Currently, Rusmanto is the chairman of a batik cluster organisation. This organisation was originally initiated by Go Sien Nie (Lie Sio Lan's mother). After she passed away in 2010, Rusmanto took over her position. Rusmanto initially named his firm Sumber Agung Batik since his house was in the Sumber Agung area. When he moved to another house in 2011, he changed the name to Raja Batik because he felt that the name Sumber Agung Batik did not represent his batik any longer.

The eighth participant was Rukmana, from Jeruk village about 10 kilometres from Lasem's city centre. The villagers previously worked as batik workers; however, they switched to become farmers and housemaids when the batik business declined. Rukmana is a descendant of a batik worker's family. She worked for Luo Nji Tio for eight years until she was laid off when the owner closed his business and started a gold shop in the 2000s when the economic crisis occurred in Indonesia. To support her household expenditure, she worked as a housemaid until 2004. In 2005, Rukmana started to work in a Chinese Indonesian batik firm again, this time at Hijau Daun Batik. However, she only did this for a short while, then she accepted an offer from Wang Shen Ren, an activist in the non-government organisation (NGO), Indonesian Pluralism Institute (IPI). Wang Shen Ren encouraged Rukmana to start a joint business group (known as *kelompok usaha bersama (KUB)*) in which Rukmana became the leader. In 2014, Rukmana started her own batik firm while she continued being the head of *KUB Kunthi* because the rest of the group depended on her and were unable to run it themselves. She also allowed *KUB Kunthi* to use her land for its production.

The ninth participant was Mardiyana who lived in Gading village. She was a former batik worker in the Rembulan Batik firm. She joined *KUB Kunthi* in 2006. In late 2010, she decided to start-up her own batik business and left *KUB Kunthi*. Besides being a batik owner-manager, Mardiyana also actively operated a side job as a batik trainer.

3.7 Data Analysis

Analyzing data in an ethnographic study starts when data is collected (Ezzy, 2002). It is an iterative process, where the idea is built throughout the study (Fatterman, 2010; LaCompte and Schensul, 2010). Simultaneous data collection and analysis enables the inductive method to get interpretation from the perspective of participants. This section addresses

how I analyzed the data.

The analysis of data in ethnographic research is to get the interpretation of meaning, functions, consequences of human actions and constitutional practices and how these are implicated in the local or wider context (Attkinson and Hammersley, 2007). This study conducted thematic analysis in order to identify themes, making sense of and high-lighting the key themes in a rich data qualitative set, and helping to communicate and understand the research phenomena (King and Brooks, 2018). Thematic analysis defines themes as recurrent and distinctive features of participants' accounts, particular perceptions and/or experiences which are relevant to the research question. It uses code to structure the differences in the lives of informants (Ezzy, 2002), in this case the differences between ethnic backgrounds in particular. There are no general rules to conducting thematic analysis; however, I employed Braun and Clarke's thematic analysis (King and Brooks, 2018). Firstly, it begins with familiarizing with the data set. I immersed myself in the data set initially by collecting and transcribing it by myself. I started transcribing from the beginning of the data collection process. This helped me in making further queries or noticing if something was missing from my previous interviews. At this stage I started analyzing data. Furthermore, when conducting interviews, I sometimes got insight about potential themes that suddenly emerged and I recorded this in my field notes. These themes sometimes came up while I was transcribing my interviews.

I transcribed all my interviews myself to have details of the conversations. By listening to the recorded interviews, I relived the atmosphere of the conversations that had taken place which helped me in making sense by noticing their voice intonation. As argued by Banziger and Scherer (2005), voice intonation reflects specific emotions. Transcribing was laborious and time-consuming work; but I noted interesting findings that emerged while I did the transcription. I repeatedly read and re-read the transcripts to search for meanings and patterns. I analyzed the phenomena which occurred between ethnic Chinese and Javanese ethnic groups to find similarities, differences, patterns and overlying structures. I generated as many themes as possible to minimize the possibility of missing significant themes (see appendix 4). The process of reading and re-reading the material was conducted until I felt comfortable with the findings.

This is an iterative process, back and forth between data analysis and literature review until satisfied with the final theme (Brewer, 2000). Later, I reviewed the themes, looked at the

data that supported or refuted the previous theory. As a last step, these themes were grouped into the three categories of micro level, meso level and macro level for each ethnic group (see appendix 5 and 6). Those themes then led to the topics of writing in the finding chapters: chapter 5 for ethnic Chinese batik owner-managers and chapter 6 for Javanese owner-managers. Finally, in chapter 7 I discuss the overall interpretation.

The presentation of the findings consists of direct quotes from interviews as well as interview summaries made by me. I have used this combination of presenting the data as it allowed me to include a large amount of the rich data that I collected. Particularly the interview summaries have been used to be able to relay the stories of participants including as much detail as possible. Collecting life-business histories means lengthy and winding stories, “full of turns and details” and to bring some form of coherence to the reader it is often the researcher who summaries the story into a text of selected segments (Koning and Waistell, 2012, p. 69). The direct quotes have been used to offer clear moments of participant voice as well as to support of specific points made.

3.8 Research Ethics

In the ethnographic method, researchers have to engage in the research field in order to get an in-depth understanding of the social meaning and activities of people in the study (Brewer, 2000). This helps in obtaining insights into local social meaning and to make participants feel comfortable (through visibility and socially engaging) in sharing their life and business experiences. Once my participants felt comfortable, they became more open and it enriched my data.

Observation was done in a non-intrusive manner to ensure the community’s regular activities and natural behaviour were not affected by my presence. It was necessary for people to not feel they were being watched. I did not take any photographs without consent and did not publish photographs in the final thesis.

An ethnographic study could possibly lead to detrimental or psychological impacts on the participant (Brewer, 2000; Murphy and Dingwall, 2001). I gave this my critical attention when delivering this research study. I conducted several strategies to eliminate or avoid negative impacts, such as ensuring voluntary participation had been indicated and reiterated upon first contact. I also let participants know that they might withdraw at any time without any reason. I guaranteed the anonymity and confidentiality of participants’

names, their batik business name and that all data sets were securely stored by me. I kept all the information private and secure. I reminded the participants that they could stop the conversation at any time should they feel uncomfortable and/or stressed. I remained sensitive to see or pick up on stress signs and stop by changing the topic to avoid participants' stress when recalling difficult times in order to explain their business and life experiences.

Initially, I planned to conduct in-depth interviews with business owners (participants) in the afternoon when their business activity was not busy or after the store was closed. However, almost all of them preferred to be interviewed during the day while they were doing business activities. In fact, the Chinese Indonesian owner-managers are not as busy compared with Javanese owner-managers since they are not undertaking production activities themselves. On the other hand, Javanese owner-managers were eager to converse while drawing batik on cloth since it entertained them to have somebody to talk to and overcome the boredom of drawing batik. So, I was flexible to suit their time.

3.9 Reflexivity and Positionality

Reflexivity is the researcher's awareness of the biases, values and experiences she or he brings to a qualitative study (O'Reilly, 2009). Therefore, it is important that researchers reflect on their interpretations and write their reports reflexively (Creswell, 2014). It requires a reflection on the various identities that a researcher brings to the field and vice versa how the field perceives of the identity of the researcher (see Corlett and Marvin, 2018). A reflexive account by the researcher supports the reader in judging such issues as the representation via the writing up, the quality of the data and issues of status, standing and authority (Brewer, 2000). Therefore, in this section I will offer my reflections on the interactional processes during my fieldwork.

As a general approach, I tried to gain my participants' acceptance by being open-minded and from the very beginning to introduced myself as a lecturer who was doing her doctoral programme at Oxford Brookes University in the United Kingdom. I handed out business cards which I already had printed before going to my research site. It helped me to be welcomed as it offered an additional identity to my female ethnic Chinese identity, namely the identity of a researcher or student who could to some extent maybe be seen as an interested 'outsider' (an academic) to both communities. It also added some status (doing a PhD in the UK) and made it 'more' interesting to the research population to engage and

talk to me. Of course, the reverse side of this could also have meant I was seen as ‘elitist’ but education is perceived by both groups as important so in practice I did not encounter a distance based on this.

Before going to the research site, I collected information in advance about the communities in Lasem. I was told that the ethnic Chinese community is very closed. This was discouraging at first, but I felt to have an advantage based on being ethnic Chinese myself. I felt, having shared similar experiences (discrimination) and some form of shared kinship might enable me to gain access and trust and for them to open up to me and to tell me the histories of their businesses. Notwithstanding these perceived associations, I did need a gatekeeper to gain access (as explained above). It is an important reminder that shared ethnicity does not automatically mean there is trust. With the ethnic Chinese history in mind, trust is a feature that can only be attained on the basis of personal recommendation via others (in the ‘network’) who are seen as trustworthy (see Koning, 2007) hence the gatekeeper. Once introduced through a trustworthy community member, my engagement within the ethnic Chinese community was off to a good start.

As an ethnic Chinese woman going around from one village to another village among Javanese owner-managers was a different experience. It was clearly considered unusual and made the villagers question what I was supposed to be doing. I was very conspicuous among them since no ethnic Chinese people live there. However, the atmosphere became more relaxed when I told them who I was and what I was doing (my researcher-student identity), leading to an attitude of openness that made me feel accepted. They became even more accepting and friendlier after they learned that I was staying in the *Pondok Pesantren* (Islamic boarding school) of the village. For them, it is uncommon for an ethnic Chinese woman to spend the night there. Several participants were surprised that I wanted to stay there (presuming different religious identities: Christian and Islamic) and it gave them the idea that I was an open-minded person and they appreciated what I was doing and they accepted me well.

My position as a Chinese Indonesian born and raised in Java, enabled me to understand what the participants were talking about since I have a good level of understanding of both cultural backgrounds. In my interviews, I spoke Indonesian. However, throughout the conversation with the Javanese owner-managers, they mixed Indonesian and Javanese. This is because in their daily lives, they use Javanese more often than Indonesian.

Therefore, to express something, they tended to use Javanese because it is easier for them to express their feelings. It was no problem for me to understand their Javanese since I was born and raised in Central Java, which has a similar Javanese culture to the areas of Lasem. I am also fluent in Javanese so I had no problem in understanding what they said. They were even happier because I could speak Javanese well and they felt very honoured (there are different levels in Javanese language that express respect to those with whom one communicates).

In addition, my own experience as an owner-manager of a small firm helped me to understand the various details of my participants' stories since I have experienced similar things (from setting up a business and finances, to networking, product development, and customers relations). Therefore, I could easily mix with them and became more familiar. This is important for qualitative research since researchers are key instruments in their own studies because they are part of them (O'Reilly, 2009). Good relationships with participants have to be fostered to gain their trust and to come to mutual understanding to ensure an unhampered research process and the completeness of the collected data.

After the first fieldwork hurdles and after having been able to create forms of rapport with both groups which led to many rich stories, I have tried as much as possible to represent each of them with equal respect in my writing (see chapter 5 and 6), relating their stories within their own contexts. By choosing to present the participants in detail in this chapter, I provide the reader with a contextual understanding with which they can subsequently judge my representation of them and their businesses in the chapters that follow.

3.10 Conclusion

This ethnographic study follows an interpretive approach in order to capture the specific complexity and dynamics unique to family firms in this particular Indonesian setting. It combines observation, in-depth interviewing in the form of life-business histories, and documents such as, for instance, local documents on economic performance, policy papers related to government incentives to small businesses, and newspaper articles on business and economic developments in Indonesia. The life-business history approach applied explores the business owners' life history in conjunction with the historical development of the business. In addition, spatial exploration was conducted to get a comprehensive picture of the participants' storytelling. This is the strategy to make local sense, and helps to understand aspects of relationships processes and social categories that includes the use of

space, for instance, parts of a building, sites of production or places in a neighbourhood (Waal, 2009).

Conducting ethnographic research that compares two ethnic groups (Chinese Indonesian and Javanese) is unique, exceptional, but challenging. It can be sensitive, especially when my ethnic background belongs to one of those ethnic groups. I have to be careful how I conduct myself in the field, to get acceptance and obtain rich information.

Evoking participant's memories is challenging, especially for the elderly participants. Moreover, participants' living memory enables them to relate stories only two or three generations back. Therefore, the life-business histories do not necessarily represent a 'factual' history, but are based on memory.

Being ethnic Chinese does not always mean gaining easy acceptance from Chinese Indonesian owner-managers. They tend to be closed to outsiders, except buyers. Therefore, I relied heavily on my key informant who greatly helped in gaining access to, and acceptance from, the ethnic Chinese owner-managers. However, I applied a different strategy in approaching Javanese owner-managers. Living in a boarding house near the Islamic boarding schools provided a lot of insight and equipped me to gain acceptance from Javanese owner-managers. Blending into the field helped me in getting acceptance from all my participants.

Doing research in my home country gave me the advantage of already understanding the culture and the native language, and in managing my time. It ensured the richness of the collected data.

Chapter 4 The Context of Batik Family Firms in Lasem

4.1 Introduction

This chapter describes the context of Lasem and its batik industry. It addresses the ups and downs of Lasem's batik industry in order to provide part of the answer to the research question how batik family firms have remained sustainable over generations. It is important to place the research problem in context (both in terms of other batik research as well as the situational and historical context) in order to get a deeper understanding of the dynamic circumstances batik family firms in Lasem faced and the impact of the wider context on their sustainability.

The study of batik has always attracted researchers and recently quite a number of studies have focused on batik and batik production on Java (Meutia and Ismail, 2012; Setyanti et al. 2013; Astuty, 2014; Utami and Triyono, 2013; Savirani, 2016; Sugiyarti and Ardyan, 2017). Innovation and business performance are key research topics, such as the study by Setyanti et al. (2013) who examine the impact of innovation on management capabilities and knowledge sharing in East Java, while Utami and Triyono (2013) specifically look at innovation in marketing batik through the use of Blackberry and Meutia and Ismail (2012) investigate business performance in relation to social competence of the entrepreneurs and their business networks. More recently, Sugiyarti and Ardyan (2017) studied the effect of market-sensing capabilities and product innovation on market entry quality and marketing performance. Apart from focusing on innovation and business performance, research has also investigated the importance of close relationships with government officials (Savirani, 2016), and business constraints. Astuty (2014) for instance argues that even though batik producers in Pekalongan perform efficiently in terms of production processes, they experience constraints in developing competitiveness due to such issues as customer behavior, the price of raw materials that are imported, lack of financial support and restricted access to banks. Research conducted by Setyorini et al. (2013) also identify internal factors that limit the growth of small and medium batik enterprises in Central Java. They found issues such as inadequate education and training, insufficient capital, and lack of coordination as main constraints. It can be stated that research on batik production in Indonesia (Java) has mainly focused on factors that impact on business performance

and or on the issues of constraints in developing the business. There is so far as known however, no comprehensive investigation into the sustainability of batik family firms in Indonesia so this study also makes a contribution to the literature on batik production in Indonesia (Java).

As far as location and history as context, it is essential to know the geographical location of the Lasem batik industry and understand batik as a commodity. This chapter presents an overview before embarking on an explanation of the historical context of the batik Lasem industry, and exploring the political and economic circumstances affecting batik family firms over a period of time.

Lasem is a small city on the northern coast of Java covering around 18.23 square kilometre, with 24,590 people (BPS, 2017). Lasem is a sub-district in Rembang regency, Central Java, around 12 kilometre from Rembang City. Lasem is positioned on the main road that connects Semarang (the capital of Central Java Province) and Surabaya (the capital of East Java Province). It is a relatively rural area, even though Lasem has a busy main road that connects the capital cities of Central Java and East Java. It stretches from the coastline to the hills.

Initially, Lasem batik firms were concentrated in Lasem City, particularly in the *Pecinan*¹⁰ area. Here, ethnic Chinese batik family firms dominate the Lasem batik industry. However, nowadays (since the Lasem batik boom in 2009) batik firms are spreading into a few villages near Lasem City where the batik workers live. Many batik workers leapfrogged into running their own batik business after the aid programme of the government that was installed to improve the economic conditions of villagers. Quite a few started their batik businesses much earlier than 2009, but there was a sharp increase after 2009. Consequently, the batik industry is expanding into surrounding areas of Lasem, such as Pancur sub-district.

4.2 The Uniqueness of Lasem Batik

Batik is one variety of Indonesian cloth. Indonesian batik cloth is traditionally made using a manual wax-resistant dyeing technique. There are some classifications of batik products by function, such as *kain panjang*¹¹ or *sarung*¹², a lower garment worn with a *kebaya*¹³;

¹⁰ *Pecinan* is the specific area where the Chinese families work and live.

¹¹ *Kain panjang* is long cloth in a square shape that is worn as a lower garment for either for woman or man, and is wrapped into the waist. This is typically Indonesian traditional cloth.

*kain gendongan*¹⁴, which is used for carrying a baby; and modern clothes such as dresses, skirts and shirts.

Batik is produced in different areas in Indonesia, mainly in Java, such as Yogyakarta, Solo, Pekalongan and Lasem. Each batik centre has its own characteristics that uniquely distinguish one batik area or product from another. Lasem batik has specific colours and patterns that have remained the same over time, which are heavily influenced by ethnic Chinese tradition and taste. Lasem batik is famous for the uniqueness of its red colours (*bang-bangan*); however, Lasem batik also has other colour combinations such as, *biron* (blue), *bang-biron* (red and blue), *tiga negeri* (red, blue and brown), *empat negeri* (red, blue, brown and violet), *es teh* (blue and brown). In addition, Lasem batik has unique patterns, such as, phoenix, turtle, lotus, *liong*¹⁵, *banji* and *lok chan*¹⁶, butterfly, and chrysanthemum. Each pattern has a different meaning, for instance, phoenix symbolizes good virtue or wisdom, *liong* symbolizes greatness, turtle symbolizes long life, butterfly symbolizes love and loyalty, etc. The colour of Lasem batik also has philosophical meaning, such as red represents happiness. This philosophical meaning has been orally inherited through generations in Lasem, particularly among batik business owners and batik workers. Furthermore, Lasem batik also has other designs influenced by the Lasem environment, such as *sekar jagad*¹⁷, *latohan*¹⁸, *watu pecah* and *kricak*¹⁹.

Interestingly, the Lasem batik industry has continued to produce batik traditionally until the present day and is thus unique in that the batik firms have continuously maintained traditional production since the beginning and have survived through generations. Meanwhile other batik centres are adopting other methods in making batik (either by hand or machine printing); some of these batik firms could not survive through periods of crisis. Traditional production means producing batik cloth applying several steps that consume a lot of time and use certain tools such as *canting*²⁰ and *cap* (stamp tool). There are nine steps in making batik traditionally. Firstly, *ngetel*, is a process of preparing calico cloth before it is ready for the drawing. Calico cloth is processed by washing and drying repeatedly, using castor oil to clean the starch from the cloth. It usually takes three weeks,

¹² *Sarung* is tube shaped cloth a lower garment for either for woman or man, which wraps into the waist.

¹³ *Kebaya* is an Indonesian traditional top or shirt, used by a woman.

¹⁴ *Kain gendongan* is a long cloth in square shape used for carrying a baby on the shoulder.

¹⁵ *Liong* is a Chinese dragon.

¹⁶ *Banji* and *Lok chan* are a specific Chinese patterns.

¹⁷ *Sekar jagad* means various flowers that grow in Lasem

¹⁸ *Latohan* is sea grass that grows along the Lasem coastline.

¹⁹ *Watu pecah* and *kricak* mean the material for building roads. These represent the bad feeling that commemorates the forced labour system of Daendels in building the road from Anyer to Panarukan.

²⁰ *Canting* is a pen-like tool to draw wax on the fabric.

depending on the weather since it relies on the sun-dried system. This is important for maintaining the colours so that they will not easily fade. Secondly, *mola*, is a process of drawing a main pattern using a *canting* to duplicate the process. It is interesting to note that I found in ethnic Chinese batik firms that the batik worker does not use the pencil initially to help them to draw the pattern in the way other batik centres usually do. The batik worker in Lasem puts the plain calico cloth over the master cloth²¹ and copies directly using the *canting* on the calico cloth. An expert batik worker, who is usually an old lady, could freely draw the pattern using the *canting* directly without any master pattern underneath. This indicates that batik is an art product where the painter gets the skill through learning by doing. I found some young batik workers duplicating the pattern using a pencil to make a main pattern before drawing it using a *canting*. These practices are possibly because young batik workers are newcomers who are still learning the trade and improving their skills. Thirdly, *nglengkren*, is a process of giving more detail on the main pattern using *canting*. This step requires the high expertise of the batik worker, since she draws freely without any pattern underneath. For *mola* and *nglengkren*, it requires high accuracy, precision and incredible detail. Therefore, this step takes the longest time. Fourth, *isen-isen* is a process of adding detailed ornaments in the pattern using *canting*. Fifth, *nerusi* is a process of drawing the pattern on the other side of the cloth by copying the front pattern. Usually, a young batik worker learns from *nerusi* to advance her batik drawing skill, before she could *nglengkren* or *mola*. Sixth, *nembok* is a process of covering the area that is not to be coloured with wax. Seventh, *ngelir* is a process of dipping the cloth that is already covered in wax into the colouring container. Eighth, *nglorot*, is a process of rinsing the cloth to clean the wax by boiling it for a few minutes. Lastly, is drying the cloth. For the cloth that has more than one colour, the processes of *nembok*, *ngelir* and *nglorot* are performed as many times as there are colours.

The traditional batik industry in Lasem consists of batik firms which produce batik clothes mainly in family firm settings. Initially, the Lasem batik industry was dominated by the Chinese Indonesian ethnic group; however, the Javanese ethnic group is starting to flourish since both government and non-government agencies provide aid programmes that encourage and facilitate batik workers to start their own batik businesses (see more details in the next section). The Chinese Indonesian ethnic group is still dominant in the Lasem batik industry even though some Javanese family firms, as newcomers, are flourishing recently. Lasem batik is generally identified as an ethnic Chinese cultural tradition due to the patterns and colours of the batik.

²¹ Master cloth has a desired pattern to be traced on the calico cloth.

Based on the field research, it is interesting that most batik business owners have never used natural dye materials and they have no knowledge in colouring using natural dye materials. According to their knowledge, their predecessors never used natural dyes. Only two participants, who were trained by a non-government organisation, could dye using natural dye materials. The ethnic Chinese batik firms mainly use naphthol²² as the colouring material, very few adapted to indigosol²³ after participating in training programmes. Chinese Indonesian batik business owners tend to keep to their predecessor's colouring method and are reluctant to adopt new colouring materials and methods. The possible reason is that some of them did not get access to colouring training programmes conducted by the government, and some of the elderly batik business owners were hesitant to try and learn something new. In contrast, Javanese batik firms prefer to use indigosol as their colouring material and method since they had been trained by the government. They do not have any knowledge of the naphthol colouring process.

4.3 The Dynamics of Traditional Batik Businesses in Lasem

To clearly understand the ups and downs of the Lasem batik industry, it is necessary to explore the dynamics of Lasem as an important centre of the traditional batik industry in Indonesia from a historical perspective. The historical perspective integrates the changes in politics, the economy and fashion trends that influenced the dynamics of batik businesses in Lasem. This presents the macro context of batik businesses in Lasem.

Batik as a fashion product was first used by indigenous people in Java. However, it is still unknown exactly when batik was introduced. It is believed that batik was introduced in Lasem around the 14th century by Na Li Ni who mainly produced it to meet family members' need for clothes. Na Li Ni was Bi Nang Un's wife, who was one of the crew of a ship belonged to Dhang Puhawang Tzeng Ho from Campa who landed in Java during the Majapahit Kingdom era (Liong, 2007; Unjiya, 2014). At the time, Lasem which is located on the north coast, was the first landing-place for mainland Chinese coming to Java island around the 14th to 15th centuries (Unjiya, 2014). Lasem became the largest immigrant destination for traders from mainland China, because the Majapahit Kingdom had a bilateral trade relationship with a Chinese Emperor of the Ming Dynasty. Therefore, Lasem batik motifs and designs were mainly influenced by Chinese cultural traditions.

²² Naphthol and indigosol are the colouring materials used to dye the cloth. Each has a different dying method.

With demand growing, batik became a household industry. The European travellers reported that batik clothes were produced widely in Java in the 16th century (Elliot, 2013). Subsequently, increasing batik demand for cotton cloth in Java was unavoidable, since cotton cloth is the raw material used to make batik. It was indicated that some European merchants, such as the Portuguese and Dutch, exploited this opportunity by bringing Indian cotton cloth to Indonesia, while they were looking for spices (Burnett, 2013).

Later, batik made its international debut in the Western world during the 17th century through the Dutch East Indies Company, known as VOC²⁴. Batik looked exotic and colourful to Westerners, especially batik with oriental patterns and designs (Condra, 2013) like Lasem batik clothes. Coincidentally, the European fashion trend at that time had been influenced by oriental designs and patterns (Scholten, 2000) that opened the market for batik cloth.

During the VOC era in Indonesia (1602-1799), cloth was used to segregate the ethnic backgrounds of the wearer. During this time, there was an exodus of Chinese refugees to Indonesia at the juncture of the Ming and Ching Dynasties (Salmon, 1981). Therefore, VOC forced people to wear their own ethnic clothing fashion style to distinguish their ethnic background (Hall, 2018). Actually, the Chinese in Indonesia were not allowed to wear either Western clothes or indigenous clothes. However, some Chinese tried to assimilate into the local environment in order to gain acceptance. Looking similar to the indigenous community was considered respectful of the local culture and created inclusion in the community. Therefore, some of the Chinese women wore the batik *sarung* indigenous fashion style. Meanwhile, the men wore batik as trousers. They kept their ethnic identity by applying oriental motifs and patterns on the batik cloth. This demonstrates that the designs on the cloth express the identity of the individuals (Nordholt, 1997). Moreover, the quality of batik cloth also represents the social status of the wearer. Thus, the quality of the batik used for local batik consumption was subject to a hierarchy of distinction (Hall, 2018).

The demand for batik cloth was growing both in the local market and the Western world. In 1820, the export of Java's batik increased in value over previous years (Hall, 2018). Local consumption increased further when batik cloth was adopted more by commoners

²⁴ VOC (Vereenigde Oostindische Compagnie) is the first multinational company from the Netherland which monopolized trading in Asia.

and was not merely exclusive to the Javanese elite (Sekimoto, 2003). Furthermore, in 1872, The Dutch colonial government enforced a social stratification policy in the community. They regulated that every resident was to wear ethnic clothing in public areas, except *Indo-Belanda*²⁵, Chinese *Peranakan*²⁶, and indigenous people²⁷ (Elliot, 2013; Lukman et al., 2013). The women from specific ethnic groups had to wear batik *kebaya* and *sarung* as daily clothes. However, some Dutch women also wore batik *kebaya* and *sarung* since they were considered more comfortable to wear in humid and hot tropical weather (Smend et al., 2013). In order to differentiate their social status against other ethnic groups, Dutch women used luxurious fabric materials for their batik *kebaya* and *sarung*. This Dutch colonial policy affected the fashion trend and increased the demand for batik. As a consequence, new technology in making batik was introduced in Java, such as the brass hand stamp, known as *batik cap*, to reduce production time (Hall, 2018). Consequently, batik could be produced quicker to meet high demand. The lucrative batik business encouraged some Western artists to try to imitate batik by various printing methods in 1890; however, this could not compete with Java's batik (Condra, 2013).

From 1890 to 1915, European fashion trends were influenced by animal and floral designs such as butterflies, peacocks, and flowers that were similar to oriental patterns and designs (Barry, 1985). Consequently, demand for *batik pesisir*²⁸ was increasing. Therefore, the Dutch colonial period around the 19th century became the heyday for traditional batik in Indonesia, particularly in Lasem.

The Chinese diaspora linked Java's batik productivity to a wider regional and international market. At that time, Chinese ethnic groups were privileged as retailers and as direct exporters-importers (Hellwig, 2007). They were given privilege from the Dutch colonial government to import raw material and export *batik* cloth, since Lasem, as a port town, was vital as the centre of textile, manufacture and collection points for the textile industry (Hall, 2018). The Chinese diaspora in Indonesia had played an important role in supporting the revival of local textile production especially on Java, which replaced purchased or undecorated Indian cloth. They acted as middlemen, importing inexpensive, plain and bleached calico clothes from the Netherlands for producing batik clothes (Condra, 2013),

²⁵ *Indo-Belanda* refers to descent from a mixed marriage between a European man or woman with a non-European man or woman.

²⁶ Chinese *Peranakan* is descent from a mixed marriage between a Chinese man or woman with an indigenous man or woman.

²⁷ Indigenous people on Java island are Javanese.

²⁸ *Batik pesisir* is batik produced on the north coast of Java that has specific oriental motifs, patterns, colours and designs (Ishwara et al, 2011); commonly produced in Chinese batik family firms. It is generally produced in Lasem and Pekalongan.

and produced and marketed batik cloth locally in Java and the East Asian market (Hall, 2018). Chinese business owners imported raw material such as white cotton cloth from the Netherlands and Britain (Sekimoto, 2003).

The development of batik in the middle of the 19th century under Dutch colonial rule was carried on by the Chinese diaspora using the ‘putting out’ system to local households in order to meet the high demand for batik (Hall, 2018). They collected unfinished batik cloth from local households, Javanese in particular, and dyed this in their workshop to turn it into fine batik cloth. The ‘putting out’ system still occurs today in the Lasem batik industry. The production of batik cloth on the north coast of Java, particularly Lasem, was growing rapidly in line with advancement in transportation, such as railways and steamships (Ishwara, 2011). Since this time, the Lasem batik industry has been in the hands of ethnic Chinese family businesses, helped by Javanese batik workers (Elliott, 2013; Rahayu and Alriningrum, 2014). This explains how the Chinese have dominated the Lasem batik industry.

At the end of 19th century, batik cloth was used to commemorate special events, such as wedding ceremonies and Chinese New Year celebrations (Smend and Harper, 2011). The function of batik cloth fused into the personal life of Lasem society, for instance, besides clothing, batik was used when carrying a baby, getting married, giving presents, worshipping God, decorating the house and even the funeral ceremony. Batik was used in every stage of somebody’s life, from birth to death. Therefore, batik is considered as a precious good that has different meaning for different occasions. These functions of batik cloth in the local community encourage the development of batik businesses.

In 1910, the Dutch colonial government regulated for Chinese *Peranakan*²⁹, which was act concerning Dutch nationality (*wet op het Nederansch onderdaanschap*) to provide equality between rich Chinese *Peranakan* women and Dutch women (Lukman et al., 2013). A Chinese *Peranakan* could dress similar to Dutch women who wore batik in the Dutch *kebaya* style³⁰. Later, Chinese *Peranakan* modified the *kebaya* to be more colourful in order to suit their fashion taste. This *kebaya* was matched with batik *pesisir* with rich oriental motifs and patterns worn as the lower garment. This fashion style was well known as *kebaya encim*. Further, this fashion style was adopted by the Chinese *Peranakan*

²⁹ Chinese *peranakan* is the term used to categorize Chinese descendants of a mixed marriage between a Chinese man and an indigenous woman who was born and lived in Indonesia (Lukman et al., 2013).

³⁰ Dutch *kebaya* style is white cotton decorated with oriental ornamentation worn as a top.

diaspora widely, not only in Java, but also other East Asian counties such as Singapore and Malaysia. This fashion style became the identity of Chinese *Peranakan* in that era, representing their ethnic identity and social status. It opened a new market for batik *pesisir* in the East Asian clothing market, particularly in Lasem. Demand for Lasem batik was increasing exponentially. It became the golden age (around 19th century) of the Lasem batik industry, because the batik was exported throughout the Indonesian archipelago, Europe (Smend et al., 2013) and East Asian markets (Hall, 2018). Lasem batik took advantage of the *kebaya encim* fashion trend with its oriental motifs and designs, rich with Chinese cultural philosophy.

The growing market was in line with the invention of chemical dyes that replaced natural dyes in the early 20th century. Naphthol colouring dye was discovered in 1911 by the German Griesheim Electron Company (Mahapatra, 2016) and disseminated worldwide since the beginning of World War I in 1914 (Sekimoto, 2003). This chemical dye enabled quicker processing and was more durable compared to natural dyes. It enabled batik production to be completed faster and Chinese Indonesian family firms in Lasem have been using naphthol until the present time. However, they have changed from the German brand to Indian and Japanese brands which are cheaper today. In the Dutch colonial era, the industry relied heavily on imported raw materials, such as chemical dyes (Dijk, 2007) and raw cloth which was cheaper than local cloth (Hall, 2018).

The high demand for batik encouraged the improvement of production methods in manufacturing batik. Besides utilization of the brass hand stamp that produced batik *cap*, printing technology was introduced to print batik motifs on textiles. These two methods reduced production time compared to batik *tulis* that used a pen-like tool. Batik *tulis*, batik *cap* and batik printing were different in both price and quality. Nevertheless, batik *printing* was not competitive enough in the local industry during the Dutch colonial era (Sekimoto, 2003). One possible explanation is that batik clothing was perceived as an ethnic product where the quality represents the ethnic and social status of the wearer. The Dutch Colonial government stratification policy that segregated people into their ethnic and social status groups also generated substantial effects on the growing batik industry, especially for the Lasem batik industry. At the time, Chinese Indonesian business owners in Lasem adopted the brass hand stamp method to meet the high market demand. It helped to shorten production time.

The rising demand for batik in the Dutch Colonial era was followed by the increasing number of batik business in Lasem. At that time, the ethnic Chinese received some privileges from the Dutch East Indies government. Therefore, most of the Chinese Indonesian in Lasem ran family batik businesses. The prosperity of the Lasem batik industry during the Dutch colonial period is represented in ethnic Chinese batik firms' house architecture in the *Pecinan*³¹ area in Lasem, which represents the success of the owner in conducting his batik business. The design is for a big house with tall and thick walls surrounding the area with only one small-layered door in the front and a bell ring on it. The thick and tall walls are to protect their business activity from their competitors, so that they could not copy their techniques (Elliot, 2013). The batik firm is in the same house area where the family is living. The workshop is usually at the back of the house. The main house is in the centre of the complex where the worship table is placed. This is where the family members worship their ancestors in accordance with their traditional beliefs.

Unfortunately, all batik business firms in Indonesia, including Lasem, were closed when Japan occupied Indonesia from 1942 to 1945. This was disastrous for the batik industry in Indonesia (Brenner, 1998). All imports and exports were stopped, while Japan concentrated on war (Kwartanada, 2002). The raw materials for batik such as cloth, dyes and paraffin or wax were unavailable (Brenner, 1998). This was the result of the Dutch East Indies government practice of *bumi hangus* (scorched earth) policy where they were ordered to leave nothing for the Japanese invaders. Hyperinflation was unavoidable, the situation was devastating, the economy was stagnant, and Japanese soldiers often raped the girls and plundered the place. The Japanese tightly controlled the society and the conditions were tense (Isnaeni and Apid, 2008), consequently, ethnic Chinese batik business owners chose to close their firms during the war period. They concentrated on saving family life. Some people wore gunnysack for clothing due to the lack of clothing during the Japanese occupation.

In general, the batik industry in Indonesia revived several years after Indonesia became independent (1945), around the 1950s in the Soekarno era. The demand was boosted by people buying new clothes after the difficult war situation from 1940. Unfortunately, the Lasem batik industry, dominated by ethnic Chinese business owners, was severely impacted by several government policies during the Soekarno era (1945-1966). President Soekarno had a policy to promote economic recovery especially for indigenous people by

³¹ *Pecinan* is a Chinatown complex where Chinese immigrants lived. This was a result of the *wijkenstelsel* policy that localized societies based on their ethnic backgrounds.

providing subsidies. Sadly, Indonesian citizens of Chinese descent were considered to be non-indigenous or 'outsiders'. Lasem batik firms did not get the opportunity to access Government subsidies for batik raw materials through the fortress programme. This programme was launched (1950s) by Soekarno under nationalization ideology that tried to elevate indigenous people to become masters of their nation. He heavily subsidized clothing, as it was one of the basic needs. The government appointed GKBI (*Gabungan Koperasi Batik Indonesia*, the Joint Indonesian Batik Cooperatives) that monopolized the allocation of batik's raw materials that used to be in the hands of the Chinese merchants. Only indigenous people could access cheap raw materials which were sold below market price through membership in the GKBI (Sekimoto, 2003). This period was known as the cloth allotment era. Many indigenous people took advantage of this programme to rebuild their business and start-up new batik firms. Suddenly, lots of people (indigenous citizens³²) who were not from batik family firms also joined GKBI for the opportunity to get the low cloth price. At this time, the number of batik firms in Java doubled to become 10,000 firms (Brenner, 1998). However, it seemed that in Lasem the Javanese mainly stayed active as batik workers (only after the third Five Year Development Plan of the late 1970s in the Suharto era - aimed at increasing job opportunities in labour-intensive industries - did Javanese batik workers in Lasem start to have their own businesses).

Indeed, the fortress programme succeeded in encouraging the batik industry in general in Indonesia, especially in Yogyakarta where most of the batik business owners were indigenous Javanese (Budhiyanto 2009). Conversely, the fortress programme directly impacted the ethnic Chinese Lasem batik firms by weakening their competitive advantage because their Chinese Indonesian owners could not access the GKBI. Surprisingly, Lasem batik businesses survived and were sustained throughout the generations until the present day. One possible explanation is that the ethnic Chinese firms use specific patterns, designs and colours that could not be copied by their (Javanese) competitors. They have succeeded in guarding their business secret and their product still satisfies the local market. (I will return to this argument later on in the thesis.) Another explanation could be that Lasem batik is regarded as a living tradition that may become marginalized, but still survives (Sekimoto, 2003) because it has created a niche market. Lasem batik cloth is perceived as a prestige product for local people thus created local market demand. In addition, the Chinese Indonesian batik business owner her or his self perceives the family batik firm as a legacy from his/her predecessor and therefore must be sustained.

³² Mainly ethnic Javanese.

In supporting nationalization ideology, the Soekarno regime implemented a corporate nationalization programme through Presidential Decree No 10 in 1959, which prohibited foreigners, especially ethnic Chinese, from conducting trade in rural areas (Suryadinata, 1976). Those who already owned businesses had to transfer them to indigenous Indonesians before 1 June 1960 or relocate them to towns or cities at regency level. This severely affected batik businesses in Lasem. Some of them moved to other cities or left Indonesia. Those who remained tried to survive by operating their batik business secretly. They did not open a store and made batik only to order. Other ethnic Chinese batik business owners married a local woman or took their batik worker as their wife to keep the batik business going. The culmination of racial mistreatment followed the Communist 30 September Movement (GESTAPU) uprising in 1965 when ethnic Chinese in Indonesia were considered to be Communist followers and had to be purged. The Chinese Indonesian batik business owners in Lasem stopped their business because of the political situation. At the same time, high inflation hindered demand for batik in general. The situation worsened in 1966 when ethnic Chinese in several cities in Indonesia such as Aceh and Yogyakarta who did not have Indonesian nationality, were expelled (Nurcahyo, 2016). The ethnic Chinese were subjected to discrimination practices in almost all areas of Indonesia at this time; they lived in fear.

When the Soekarno regime fell, the GKBI no longer had the monopoly in importing, producing and distributing raw batik materials (Brenner, 1998). Consequently, the price of raw batik materials rose sharply on the open market. Importing or producing printed batik was no longer banned. The batik industry declined rapidly when the protection policy ended. Large numbers of batik firms collapsed immediately in centres such as Solo (Brenner, 1998) and Yogyakarta (Budhiyanto, 2009). Without government subsidies, they could not survive. Although many batik firms closed, many Lasem batik family firms run by Chinese Indonesian owner-managers remained. They were used to not rely on Government subsidies because they never got access to it (whereas other firms collapsed as they had no alternative resources or specialized knowledge to rely on).

Then, it was the start of the New Order regime of President Soeharto (1966-1998) after Soeharto took over the power from Soekarno to rule the country. The new president, who became well known as an authoritarian president, intended to accelerate the assimilation of Indonesian citizens of foreign descent, especially ethnic Chinese, into the Indonesian nation (Suryadinata, 1976). Ethnic Chinese had to change their Chinese names into an

Indonesian name. This was welcomed by some ethnic Chinese who hoped that changing their Chinese names to an Indonesian name would make their lives in Indonesia easier. The government prohibited Chinese schools and enforced children to register into government or national private schools. However, the assimilation program encouraged discrimination practices that were unfair for ethnic Chinese in Indonesia. The ethnic Chinese were not allowed to become either civil servants or join the armed forces, thus becoming a trader was an option. Therefore, most of the ethnic Chinese in Lasem continued running their batik business. Another government assimilation program restricted ethnic Chinese publishers who produced news in Chinese characters through notification by letter from the Information Minister of Indonesia No. 2/SE/ Di. Further, Chinese traditions were not allowed to be conducted in public areas. Under Presidential Instruction No 14 in 1967 about religion, belief and Chinese cultural tradition, the government limited the practice of rituals and traditions of Chinese culture to occur only in the family. The Konghucu³³ was not accepted as a religion, whereas it was believed by most ethnic Chinese in Indonesia. As a consequence, the ethnic Chinese had to choose other religions which were permitted by the government, such as Islam, Christianity, Hinduism or Buddhism. The Soeharto regime terminated the dual nationality treaty Law No. 62 in 1958 issued under the Soekarno regime. Thus, every Chinese in Indonesia who already declared having dual nationality and having the desire to become an Indonesian citizenship had to have SKBRI³⁴. All these discriminatory treatments influenced how the ethnic Chinese lived and ran their business (Dieleman et. al., 2011; Susanto, 2011). At face value, they tended to adjust to the regulations and accept the treatment as fate.

In 1970, batik printing was commercially produced in Java (Sekimoto, 2003). Initially, batik printing did not threaten the traditional batik industry, since the quality of batik printing was poor. However, technology developed and started to produce good quality batik printing. By 1980, batik printing started to threaten batik *tulis* or *cap*. Many batik firms in Solo and Yogyakarta closed (Brenner, 1998; Budhiyanto, 2009) because 90% market share of batik product was dominated by batik printing (Sekimoto, 2003). Nevertheless, a few ethnic Chinese batik firms in Lasem managed to survive, although some changed to another business type, such as a gold shop, transportation business and grocery shop. The Lasem batik industry benefitted from its rural area location where the

³³ Konghucu is an ethnic Chinese belief in their cultural life.

³⁴ SKBRI (*Surat Keterangan Bukti Kewarganegaraan Indonesia*) is a certificate of Indonesian citizenship. This certificate was only for ethnic Chinese living in Indonesia who renounced their Indonesian citizenship. It sometimes resulted in discrimination because some bureaucracies required it to permit certain services, such as obtaining a passport or getting married.

society was relatively reluctant to modernize. Here society tended to keep their social norms and traditions more tightly compared to urban areas. Batik printing was not considered as batik, rather just a textile with a batik design. Thus, demand for Lasem batik continued in spite of lower demand. They could still maintain their business by supplying to the local market.

At the same time, fashion trends for women's clothes in Indonesia began to change to Western or Modern fashion styles, or Muslim styles that rarely use batik as material for clothing as a result of modernization (Brenner, 1998). American ready to wear clothing was flooding Indonesian markets (Scholten, 2000). The young generation was more open and adopting fashion trends more quickly. They perceived that modern clothes were easier to wear and fashionable. They wore batik and *kebaya* on special occasions only. Meanwhile, older women prefer to wear batik and *kebaya* daily. However, Lasem society still regards batik as their precious clothes, representing their social status, which creates local demand. This proves that Lasem batik has a niche market.

With a stable demand for batik from Lasem, combined with soft loans facilities from the New Order government, pioneers of Javanese batik entrepreneurs emerged in nearby villages. This programme sought to encourage indigenous entrepreneurship (Siddique and Suryadinata, 1981). Under Presidential Decree No 7 of 1979, Soeharto offered soft loans and flexible credit, such as *Kredit Investasi Kecil* (small investment credit) and *Kredit Modal Permanent* (permanent capital credit) for start up businesses. The programmes were intended only for Javanese and it succeeded in encouraging Javanese batik workers in Lasem to become self-employed. However, some of the Javanese batik firms in Lasem were not able to survive the Asian economic crisis which started in 1997 and lasted until 1999, followed by the collapse of the New Order era.

Due to the difficulties during the New Order era combined with changing fashion styles the number of batik firms owned and managed by ethnic Chinese families in Lasem fell from some 140 firms in the 1950s to 15 firms in 2006³⁵. The batik market was no longer lucrative since batik was considered old fashioned. Continued discrimination, however, inspired a willingness among some operators to persevere and become creative and sustain their business by creating coping strategies. This is evidenced by the fact that several

³⁵ Based on the interview with the head of Institute Pluralisme Indonesia who had conducted research in Lasem.

ethnic Chinese batik family firms that exist today are fifth generation. More details will follow in the findings chapters.

In late 2013, the number of batik firms had risen to 40 firms³⁶ as the demand for batik rose significantly. The increasing number of batik firms mainly were Javanese family firm. The government and non-government programmes providing impetus to the growth of batik businesses. This occurred initially with the legitimization of batik as an Indonesian intangible cultural heritage of humanity by UNESCO on 2 October 2009³⁷, since then commemorated as the annual National Batik Day. Later on, under Susilo Bambang Yudhoyono's (SBY) regime (2004-2014) the government was aggressive in regulating to develop the batik industry in Indonesia.

The SBY government promoted batik as an authentic Indonesian cultural product and a symbol of pride. People were encouraged to wear batik cloth daily. Consequently, batik was adapted to the current fashion style in the form of dresses, skirts, blouses, shirts and jackets. Batik is acknowledged by some fashion designers who use batik cloth in their fashion range. When batik is applied in modern designs, it becomes popular as a new fashion, not only when paired with *kebaya*.

SBY's government launched several regulations to encourage people to wear batik. At the national level, the government issued Ministry of Domestic Affairs Regulation No. 53 of 2009 which requires all civil servants throughout Indonesia to wear batik as uniforms for at least one workday in a week. In addition, the local Government of Rembang's regency requires their civil servants to wear Lasem batik in particular. As the result, this increased the demand for Lasem batik.

At the same time, some grants and soft loans provided by government encouraged the further development of the Lasem batik industry. As a consequence, newcomers emerged either from those who had family batik business background or batik worker family background. Even people who did not have any experience participated in start-up batik businesses. Government and non-government organisations (NGOs) attracted these newcomers with their aid programmes. At this time, Chinese Indonesian business owners had access to the programmes through the Lasem batik cooperative that was established in

³⁶ Based on the interview with the head of the Lasem batik cooperative. It consists of 14 Chinese family firms and 26 Javanese family firms.

³⁷ <http://www.kemendagri.go.id/news/2012/06/18/budaya-indonesia-yang-pernah-diklaim-malaysia>

2008. (Interim governments of Abdurrahman Wahid (1999-2001) and Megawati Sukarnoputri (2001-2004) did much to ban discriminatory laws and treatment of the ethnic Chinese population).

The growing demand, followed by an increasing number of batik firms, resulted in tight competition among batik firms in Lasem. Initially batik labour received low wages (especially when batik demand was low), however with increasing demand for traditional batik, the request for labour increased and with this also the wages. To create traditional batik cloth skilled labour is needed (expertise and diligence) which is labour intensive. So with increased demand this expertise became a scarce resource. In short, batik business owner-managers struggled to source skilled labour in a competitive market. They competed by paying higher wages, offering privileges and special treatment to batik workers. Furthermore, batik family firms also had to compete in the market to get customers. A pricing war was inevitable as batik firms battled to give the lowest price. Every effort was made to provide low prices. This will be examined further in chapter 5 and chapter 6.

4.4 Conclusion

The ups and downs of batik family firms in Lasem are examined through an historical perspective to answer the research question of how batik family firms have been able to remain sustainable over generations. This study suggests that the fashion trend (at the meso level), and politics and the economy (at the macro levels) impact on batik business sustainability; where the dynamic in fashion trends is the result of economic and political forces.

Indonesian clothes are influenced by the current fashion trend in batik. When batik clothes are in fashion, the demand increases and vice versa. Further, the function of batik clothes has changed through time along with fashion trends, social influences and government policies. This all impacts on the fluctuation of demand for batik clothes. Therefore, the dynamics of batik businesses in Lasem is determined by changes in fashion trends, politics and the economy.

Initially batik was introduced around the 14th century in Lasem to meet household needs for clothing. During the 16th century it became a household industry and was introduced internationally to the Western world during the 17th century through the Dutch East Indies

Company (VOC). Then, in the 19th century demand was increased in both the local market and the Western world. This became a golden era for batik family firms in Lasem. When Japan occupied Indonesia from 1942 to 1945, Lasem batik family firms collapsed. All of them closed because the raw materials for batik (cloth, dyes and wax) were unavailable in the chaotic wartime conditions.

From the beginning, the Lasem batik industry has been dominated by ethnic Chinese family firms. Javanese family firms emerged under the independent Indonesian governments (New Order regime and SBY regime). Therefore, the existence of traditional batik firms in Lasem is mainly determined by the ability of Chinese Indonesian owner-managers to sustain their businesses. In spite of persecution and discrimination under several regimes, they succeeded in sustaining their batik family firms over generations. Various government policies threatened their business. Firstly, under Soekarno's Old Order (1945-1956), the fortress program provided subsidies and privileges to indigenous batik business owners only, through cooperative batik firms (GKBI); Presidential Decree No 10 in 1959 prohibited foreigners, especially ethnic Chinese, from conducting trade in rural areas; the horrifying purge of the Indonesian Communist party in 1965 when ethnic Chinese in Indonesia were considered to be Communist followers; followed by the fall of the Old Order regime. The collapse of the Old Order regime meant that GKBI no longer had the monopoly in importing, producing and distributing batik raw materials.

Secondly, the New Order regime of President Suharto (1966-1998) oversaw the assimilation of Indonesian citizens of foreign descent, especially ethnic Chinese, into the Indonesian nation. Several discriminatory policies and presidential decrees restricted the ethnic Chinese: changed their Chinese name into an Indonesian name; not allowed to become civil servants or join the armed forces, thus becoming a trader was an option; restricted Chinese publishing in Chinese characters; Chinese traditions were not allowed to be conducted in public areas; the rituals and traditions of Chinese culture were only allowed in the family; prohibited Chinese schools and directed students to register in government or national private schools; every ethnic Chinese in Indonesia had to have SKBRI; and the Konghucu, a belief generally held by mainly Chinese was not accepted as a religion. Lasem batik, which is predominantly influenced by Chinese tradition and culture, was affected by these restrictions. Demand for their batik was stagnant and they became more closed in doing their business. Although struggling under these discriminatory conditions, ethnic Chinese owner-managers still kept their businesses

going.

From 1970, printed batik flooded the market in Indonesia. Notwithstanding the cheap price of printed batik, Lasem family firms still exist with traditional batik. The Lasem batik industry had the advantage of a rural area location where the community was reluctant to modernize. Lasem people did not perceive printed batik as batik; rather, it was only textile with a batik design. Demand for Lasem batik still remained. Furthermore, western fashion style did not influence their preferences in wearing clothes. They kept their traditional clothes and Lasem batik represented their social status.

The Lasem batik industry revived after UNESCO legitimized batik as an Indonesian intangible cultural heritage of humanity in 2009, under the SBY regime. Since then, the government has conducted some programmes that actively encourage batik businesses, either in creating demand or supporting programmes. Javanese family firms began to emerge.

In conclusion, the policies of the various government regimes substantially impact on business sustainability, whether encouraging or threatening business sustainability. The ethnic issue is also important, since the policies discriminated against one particular ethnic group, ethnic Chinese in this case, which challenged this group to be more resilient. The ability to apply an appropriate response to the discriminatory government treatments, and willingness to fulfil family obligations to the business, determine how ethnic Chinese owner-managers succeed in sustaining their business. On the other hand, Javanese owner-managers appear to benefit from Indonesian government regimes that encourage their business through grant and aid programmes.

Chapter 5 The Sustainability of Chinese Indonesian Family Firms in the Traditional Batik Industry of Lasem

5.1. Introduction

As shown in the previous chapter, Chinese Indonesian family businesses have produced Lasem batik since 1870 (Elliot, 2013). Lasem batik is made using typical Chinese patterns that change with fashion and are products that reflect the tastes of the owner-managers. The golden age of the Lasem batik industry was in the nineteenth century Dutch colonial period, and remnants of the past supremacy of Chinese Indonesian batik owner-managers. The situation for Lasem batik owner-managers became extremely difficult following the arrival of the Japanese occupiers in 1942 when they blocked the export and import of raw materials and seized property owned by the ethnic Chinese owner-managers (Kwartanada, 2002). After Indonesian independence in 1945, both the Old Order (1945-1966) and the New Order (1966-1998) Governments discriminated against the ethnic Chinese owner-managers, and this situation reached its peak with the enactment in 1967 of an assimilation policy designed to rob Indonesian Chinese of their identity and other rights by restricting their mobility (Suryadinata, 1976; Coppel 2004; Suryadinata, 2003; Nurcahyo, 2016). However, the ethnic Chinese owner-managers were able to survive this difficult period and have managed to sustain their family businesses.

The ability of Chinese Indonesian family firms to sustain their businesses by coping with different conditions that threatened their businesses cannot be denied. Chinese Indonesian owner-managers have managed to survive in difficult conditions and exploit the opportunities to develop their businesses. This is proven by the existence of several fifth-generation ethnic Chinese family firms still operating today. The question of how Chinese Indonesian batik owner-managers have been able to develop and sustain their business over time in a dynamic environment will be addressed in this chapter.

Using the perspective of mixed embeddedness (Kloosterman, 2010), changes occurring at each level and in each context will be examined; and the way ethnic Chinese owner-managers have responded to change will be explored. At the micro level, the way ethnic Chinese owner-managers have responded to disruption derived from inside the family and

the firm will be studied. Attempts will then be made to find how the Chinese Indonesian family firm's resources encourage business sustainability by considering the intermingling between the family and the firm. At the meso level, an endeavour will be made to analyze how Chinese Indonesian owner-managers have responded to disruptions derived from market dynamics. Then, at the macro level, this chapter will look at the ways ethnic Chinese owner-managers have responded to disruptions resulting from political and economic dynamics.

To understand the nature of sustainable ethnic Chinese family firms in the traditional batik industry in Lasem, Indonesia, this chapter begins with a study at the micro level of the individual and his or her resources, namely, general characteristics of a Chinese Indonesian batik family firm, tangible and intangible business inheritance and family disruption. The meso level of market opportunity includes changes in fashion trends, technological environment and competitive environment. Next, the macro level of the economy and political climate include public policy changes.

5.2 General Characteristics of Chinese Indonesian Family Firms

This section describes the characteristics of ethnic Chinese batik firms in general by looking at business sustainability at the micro level. Traditional batik businesses run by Chinese Indonesian owner-managers take the form of family firms, which are owned and operated by the family. Most of the Chinese Indonesian owner-managers inherited the firm from their parents. Only three Chinese Indonesian owner-managers started their own batik firm. Two of these revived their parents' batik business that had been closed down.

All the married Chinese Indonesian owner-managers ran their businesses with their spouses. There is gender based occupational segregation within ethnic Chinese batik businesses. The woman has a dominant role in handling almost all daily business managerial activities, for instance, production management, human management, financial management and marketing. Production management includes deciding on patterns and colours, managing material and contact with suppliers, providing the colouring formula, counting pieces of cloth given to the outsource workers and checking the quality of the batik clothes. The woman is active in managing batik workers by recruiting and paying the workers. She also does in-house marketing while doing other daily business activities and domestic tasks at home. Her most important role is being financial manager. Women play an active role within the house/business, whereas men play a dominant role outside the

house, such as taking part in exhibitions, looking for resellers outside the town, attending gatherings and others community activities. Although women play a dominant role in the daily batik business activities, men are recognised as the business owners.

Besides spouses, some participants had asked their younger brothers and their wives to help them. Liang Tio San stated that he started to include his younger brother and his wife when he felt that his growing business was too much to handle alone. The reason Liang Tio San chose family members was that he only wanted people in the business that he could fully trust. Liang Tio San gave his younger brother a position as his deputy for such business activities as taking part in exhibitions, negotiating with banks and participating in organisations such as Lasem Batik Cooperation, *Historical Communication Forum Society*³⁸ and, *Tridharma Trimurti*³⁹.

Some participants involved their children in their batik business. Wen Soen Lie, for example, was assisted by her only daughter Tan Mei Lian, now living in Jakarta, and by her adopted son Liem Kiat Siaw, now living with her in Lasem. The following is Wen Soen Lie's account of how meaningful her children's contribution is.

Tan Mei Lian is Wen Soen Lie's daughter who has been living in Jakarta since she was at university. She decided to remain in Jakarta after her marriage to a Jakarta resident; her father-in-law provided the couple with a house. As a mother, Wen Soen Lie wanted to give business capital to Tan Mei Lian. In 2008 Tan Mei Lian had the opportunity to open an exhibition stand without charge in Thamrin City (Jakarta) and Wen Soen Lie provided her with some batik cloth as business capital. Since then Tan Mei Lian has been running her own batik business in Jakarta using her mother's batik business name, i.e. Sinar Megah. Tan Mei Lian's business flourished, and it has given Wen Soen Lie a large number of orders. Wen Soen Lie completely entrusted her batik marketing to Tan Mei Lian. With Tan Mei Lian's extensive network, Sinar Megah also gained access to the foreign market through exhibitions she joined in Turkey and Malaysia, and also her network of state dignitaries. Tan Mei Lian once received an order from Susilo Bambang Yudhoyono, the then President of Indonesia, for 500 pieces of batik cloth based on a patent agreement stipulating that the product's pattern and design was not allowed to be reproduced for a period of one year. The current president, Jokowi, who replaced him, also placed an order with Tan Mei Lian. She has a good business network to access the Indonesian's President's family. Meanwhile, Liem Kiat Siaw, Wen Soen Lie's adopted son, became involved in the Sinar Megah batik business in 2011 after deciding to move to Lasem to be with Wen Soen

³⁸ *Forum Komunikasi Masyarakat Sejarah (FOKMAS)*

³⁹ *Tridharma Trimurti* is a religious organisation which is also a social community of a Chinese society in Lasem. However, the organisation's activities are not exclusive to ethnic Chinese.

Lie. His task is participating in the exhibitions that are held outside the town and representing Wen Soen Lie's family firm in organisational activities, such as cooperatives because Wen Soen Lie's husband is severely ill.

When taking part in an exhibition, Wen Soen Lie seldom hires any employees. She prefers to ask her children and her son-in-law for help, as she trusts family members more than anybody else. In addition, she feels that profit should be shared with her own family members rather than with outsiders. Because she is getting old and has to take care of her ill husband, she asks Liem Kiat Siaw to replace her in activities that require leaving the house. The family's involvement and their roles are presented in the table below.

Table 5.1 Family Involvement and Their Roles in an Ethnic Chinese Family Firm in the Lasem Batik Industry

The family firm	Family members' involvement	Descriptions
Bunga Megah	The owner	Name: Huang Tjaw Hien
		Gender/Age: Male/87
		Role: Is not too active in the business; helps with making Chinese character batik patterning designs and welcoming buyers at home.
	Spouse	Name: Muningsih
		Gender/Age: Female/69
		Roles: Undertaking daily business activities, such as managing batik workers, mixing colour formulas, directing batik colours, patterns and motif designs, managing materials, contacting suppliers, conducting business transactions and financial management.
Sinar Megah	The owner	Name: Wen Soen Lie
		Gender/Age: Female/71
		Roles: Undertaking daily business activities at homes, such as managing batik workers, mixing colour formulas, managing materials, welcoming buyers at home, directing batik colours, patterns and motif designs, contacting suppliers, conducting business transactions and financial management.
	Son	Name: Liem Kiat Siaw
		Gender/Age: Male/22
		Roles: Active in batik organisation representing his mother's batik firm, marketing at exhibitions, controlling outsource batik workers.
	Daughter	Name: Tan Mei Lian

		Gender/Age: Female/35
		Roles: Marketing batik products in Jakarta and any other exhibitions.
Rusa Kuning	The owner	Name: Tjiang Sian Me
		Gender/Age: Female/71
		Roles: Undertaking daily business activity, such as managing batik workers, mixing colour formulas, managing materials, directing batik colours, patterns and motif designs, contacting suppliers, conducting business transactions and financial management.
	Spouse	Name: Zhang Ling Shi
		Gender/Age: Male /70
		Roles: Welcoming buyers at home.
	Son	Name: Zhang Liem Tjan
		Gender/Age: Male/33
		Roles: Controlling outsource batik workers.
Gaman Jaya	The owner	Name: Liang Tio San
		Gender/Age: Male/47
		Roles: Marketing, negotiation with bank and government officials, controlling the outsource workers, looking for exhibition opportunities, marketing in exhibitions, active in organisations.
	Spouse	Name: Kie Lian Nio
		Gender/Age: Female/37
		Roles: Undertaking daily business activities at home, such as managing batik workers, conducting business transactions and financial management, managing materials, contacting suppliers, welcoming buyers at home, mixing colour formulas, directing batik colours, patterns and motif designs.
	Younger brother	Name: Liang Lay Hien
		Gender/Age: Male/33
		Roles: Substituting for, and helping the owner in activities, active in organisations, marketing at exhibitions
	Younger brother's wife	Name: Lu Soen Tjen
		Gender/Age: Female/30
		Roles: Helper
Maju Raya	The owner	Name: Zhang Liem Tjan
		Gender/Age: Male/33
		Roles: Marketing and managing outsource batik workers.
	Spouse	Name: Siau Shin Lie
		Gender/Age: Female/27
		Roles: Undertaking daily business activities, such as managing batik worker

		at home, managing materials, directing batik colours, patterns and motif designs, conducting business transactions and financial management.	
	Mother	Name: Tjiang Sian Me	
		Gender/Age: Female/71	
		Roles: Mixing colour formulas	
Merah Delima	The owner	Name: Lie Sio Lan	
		Gender/Age: Female/33	
		Roles: Undertaking all business activity by herself, such as managing batik workers, mixing colour formulas, directing batik patterns and motif designs, managing materials, contacting suppliers, marketing at exhibitions, conducting business transactions.	
Hijau Daun	The owner	Name: Liem Lie Tiaw	
		Gender/Age: Male/31	
		Roles: Welcoming buyers at home, marketing at exhibitions, managing batik workers, contacting suppliers, managing materials, undertaking business transactions and financial management.	
Rembulan	The owner	Name: Siem Djun Gwan	Gender/Age: Male/31
		Roles: Welcoming buyers at home, negotiation with bank and government, managing materials, conducting business transactions and financial management, contacting suppliers, marketing at exhibitions and managing batik workers.	
		Name: Siem Djun Tan	Gender/Age: Male/35
		Roles: Directing batik colours, batik patterns and motif designs.	
	Mother	Name: Kho Lan Me	
		Gender/Age: Female/72	
		Roles: Not too active in the business; helps in creating new designs.	

A batik business is either single family or multi-family owned. Nearly all the participants' businesses were single family owned, with family members assisting the business activities. Only one participant, Siem Djun Gwan, was involved in a multi-family owned business, because there are two Rembulan batik family members who are willing to continue the business.

Siem Djun Gwan is the youngest son of the PNMs' three children. Together with his older brother, he inherited Rembulan batik in 2007 after his father passed away and his mother

became ill. His older sister did not receive any legacy from the family business and has joined her husband in Kupang, East Nusa Tenggara. The Rembulan family's batik and brass businesses were informally bequeathed to Siem Djun Tan and Siem Djun Gwan. In the legal and formal documents of ownership, however, the batik business was put in Siem Djun Tan's name and the brass business was put in Siem Djun Gwan's. This was done for convenience in the registration of individual business ownership. In daily activities, all business decisions are jointly made and profit is shared evenly. To show respect to his parents, Siem Djun Gwan regularly gives money to his mother taken from the profit gained from the Rembulan batik and brass businesses.

In general, ethnic Chinese batik owner-managers have an informal business structure. Only three participants had an Individual Business Licence (known as *SIUP*⁴⁰ for short) from the government to run their batik business. Only two people were aware of their obligation to pay tax and had an Obligatory Tax Payer's Registration Number (known as *NPWP* for short). Most participants were reluctant to do this, reasoning that their business is a home industry with uncertain income, such that sometimes they may have no buyers at all for a whole month. Besides, they say, no bookkeeping accounts are kept; thus, it is difficult to determine the amount of taxes.

In the batik production process, Chinese Indonesian owner-managers are assisted by village-based female workers whose batik skills have been passed on from generation to generation. Chinese Indonesian owner-managers distinguish between batik workers who work in the workshop, and those who work in their own houses (referred to as outsourced batik workers). The participants employed both kinds of workers, although most are workshop batik workers. The practice of hiring workshop batik workers is a custom that has been passed from generation to generation, making it easier to control both quality and productivity, and assuring availability of ready-to-sell batik clothes. Meanwhile, outsourced workers are employed to meet the need for batik cloth that cannot be produced in sufficient quantity by workshop batik workers.

Most of the participants used a wage system called *borongan* (known as piece work), whereby workers are paid based on the number of pieces of cloth completed. The amount paid is also determined according to the level of difficulty of the different kinds of work, such as *nglengkrenk*, *nerusi*, and *nembok*. The average payment for each piece of cloth

⁴⁰ *Surat Ijin Usaha Perdagangan (SIUP)*

completed at the time of the research in 2014 was IDR2,500⁴¹ for *nerusi*, IDR4,000⁴² for *nembok* and IDR 5000⁴³ for *nglengkeng*. Only two participants, Lie Sio Lan and Siem Djun Gwan, paid daily wages to the workers, ranging from IDR25,000⁴⁴ to IDR50,000⁴⁵ per day. Daily wages were given to maintain the quality of the work and only applied to the kind of batik cloth known as *alusan*⁴⁶ (an exclusive piece of cloth). Sometimes it took three to six months to complete a single piece of cloth. Chinese Indonesian owner-managers employed specific workers, usually male, for the colouring process. However, due to a decline in demand nowadays, some participants used their female batik workers to do colouring to cut the cost.

In their daily activities, Chinese Indonesian owner-managers directed their workers regarding patterns, showing which *isen-isen* (motif details) were to be drawn on the cloth and which part of the cloth was to be covered with wax. Participants who had a large number of workers tended to appoint one of the skilled workers who could be trusted to assist them in giving directions for colouring and in handling quality control. However, Chinese Indonesian owner-managers always prepared the colouring formula themselves, because they felt that this must be kept in strict confidence. They only hand over the composition of the formula to their own descendants whom they trust. Having a blood relationship does not necessarily ensure access to information about the colouring formula.

One of the participants, Lie Sio Lan, said that in the past her mother refused to tell her anything about the colouring formula she was then using, and she was often not allowed to witness the colouring process. This became one of her first constraints when she took over the business after her mother died. Luckily, Lie Sio Lan found the notebook her mother used, so she was able to find out what materials were mixed for colouring.

Tjiang Sian Me was aware of the importance of keeping the colouring formula secret. She placed each ingredient in separate, small plastic bags. Each was weighed just before the colouring process and shaken together in one plastic bag. Only then was the mixture given to the workers. In addition, Liang Tio San added that one of the key successes in running his batik business was his secret colouring formula.

⁴¹ It is equivalent to £0.129 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁴² It is equivalent to £0.206 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁴³ It is equivalent to £0.258 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁴⁴ It is equivalent to £1.290 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁴⁵ It is equivalent to £2.581 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁴⁶The term *alusan* is used for batik cloth with exclusive patterns and high quality drawings.

This indicates that Chinese Indonesian owner-managers are aware of the importance of keeping the colouring formula secret for the sake of their business.

Chinese Indonesian batik owner-managers generally used naphthol (a chemical dye substance) for colouring. This colouring method has been passed down through the generations. Only three participants later adopted another colouring technique, namely, indigosol (another chemical dye substance). The difference between these two substances is in the dying process and the outcome of colours. Unlike the naphthol products, the indigosol products need to dry under the sun to bring out the colour. In addition, the indigosol colours are brighter than the naphthol colours. The indigosol method was learnt by a few ethnic Chinese owner-managers through a training course in Bandung in 2015, which was conducted by the Ministry of Cooperation and Small Medium Enterprises through the government of Rembang Regency. The training was conducted by a batik-producing expert who was invited from the Pekalongan batik industrial centre. Since then Liang Tio San, Siem Djun Gwan and Wen Soen Lie, while still using naphthol, have also used indigosol to enrich the colour variation of their batik products. Several light colours, such as pink, pale yellow, pale green and pale blue, can only be produced by using indigosol. Indigosol enriched shades of colour have become one of the characteristics of contemporary Lasem batik, while naphthol colouring remains a main feature of classical Lasem batik. Several participants who did not adopt the indigosol technique said that they had not attended the training, and therefore did not know how to do colouring with indigosol. Only Lie Sio Lan who did attend the training, did not adopt indigosol colouring because she wanted to keep her focus on producing classical batik.

All Chinese Indonesian owner-managers sold hand-drawn batik products in the form of long batik cloth. Only two owner-managers, Liang Tio San and Siem Djun Gwan, also sold ready-to-wear batik clothes. They undertook product diversification when they noticed the market potential of ready-to-wear clothing products such as dresses and shirts. They acknowledged that some customers do not buy batik cloth, as they do not have good dressmakers or tailors. Despite the sale opportunities for ready-to-wear clothing, most Chinese Indonesian owner-managers have chosen not to take this opportunity. Because consumers have varied sizes of clothes and different tastes, there is greater risk that garment would remain unsold. Thus, with the cost of hand-drawn batik clothes and the additional cost of sewing the ready-to-wear clothing, the risk of loss would be greater.

Ethnic Chinese batik products are distinguished as either classical batik or contemporary batik. Contemporary batik does not follow standard rules or an existing pattern, and is usually made following a current trend. Nearly all Chinese Indonesian batik owner-managers make classical batik, preserving what their predecessors have done, such as colouring with the naphthol method and using traditional motifs and designs. In the course of time, however, Liang Tio San chose to make contemporary batik, which he thought was more colourful. Huang Tjaw Hien also introduced contemporary batik by producing batik with Chinese proverbs and with Lasem's motifs used as the background.

There is a shared consensus between ethnic Chinese and Javanese owner-managers for categorizing their target market for their product from low, middle to upper class product based on the price. Low class product is the cheapest batik *tulis* product, middle class product has modest price and upper class product has the highest price. Usually, the price is also representing the quality of the product; the higher of the quality means the higher of the product price. However, the price range of product categorization is different for each ethnic group. Javanese product categorization will be explained further in chapter 6.

The price for low class ethnic Chinese batik product is around IDR 120,000-IDR 250,000⁴⁷, while the price of middle class product is around IDR 500,000-IDR 1,800,000⁴⁸, and the price of higher class product is around IDR 1,800,000-IDR 13,000,000⁴⁹ (see table 5.2). Most Chinese Indonesian owner-managers sell the low-to-middle class product category.

Only Lie Sio Lan specifically caters for middle-to-upper class products. This higher end market includes batik lovers, functionaries and batik collectors. She uses patterns and motif designs created and developed by her mother, since her mother's batik is well known as an exclusive, classical, Lasem batik. Lie Sio Lan takes orders for classical batik products⁵⁰. Only Siem Djun Gwan sells all product categories, ranging from the lower to the upper product class. He attempts to get more customers by widening the target market.

⁴⁷ Around £6.19 - £ 12.90 based on the exchange rate £1 equivalent to IDR19, 370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁴⁸ Around £25.81-£92.93 based on the exchange rate £1 equivalent to IDR19, 370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁴⁹ Around £92.93-£671.14 based on the exchange rate £1 equivalent to IDR19, 370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁵⁰ Replicates ancient batik motifs and patterns.

Table 5. 2 Target Market of Ethnic Chinese Batik Family Firms in Lasem in 2014

Name of batik business owners	Retailer	Wholesaler	Product Categorization	Price of one hand made batik cloth (in IDR)	Price of one hand made batik cloth (equivalent in GBP) ⁵¹
Huang Tjaw Hien	√	√	Low-Middle Class	250,000 – 500,000	£12.90 - £25.81
Wen Soen Lie	√	√	Low-Middle Class	125,000 – 1,000,000	£6.45 - £51.62
Tjiang Sian Me	√	√	Low-Middle Class	250,000 – 750,000	£12.90 - £38.72
Liang Tio San	√	√	Low-Middle Class	120,000 – 750,000	£6.19 - £38.72
RDI	√	√	Low Class	250,000	£12.90
Lie Sio Lan	√	√	Middle -Upper Class	1,800,000 – 13,000,000	£92.93 - £671.14
Liem Lie Tiaw	√	√	Low-Middle Class	150,000 – 3,000,000	£7.74 – £154.88
Siem Djun Gwan	√	√	All Classes (low, middle, upper)	150,000 – 3,500,000	

Table above shows that the prices set by Chinese Indonesian batik owner-managers ranged from IDR 120,000⁵² to IDR13,000,000⁵³; however, they were normally willing to give a discount when people bought in large quantities. Below is how Liang Tio San negotiated the price with a government official who was going to bring 25 guests from the Agrarian Office of Central Jawa Province:

“... well madam, choose the ones you want, just look around first. Here we set a wholesale price. When you choose that item (pointing to the stack of batik clothes), that costs

⁵¹ Based on the exchange rate £1 equivalent to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁵² It is equivalent to £6.195 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁵³ It is equivalent to £671.14 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

IDR120,000⁵⁴, I will give you best price, you only have to pay IDR100,000⁵⁵. This costs IDR500,000⁵⁶ and you only have to pay IDR350,000⁵⁷. Just choose which ones do you want, and we will give you discount for sure Well then, I'll give you the exact price. Those clothes pile costing IDR160,000⁵⁸ you only have to pay at IDR120,000⁵⁹. Those costing IDR130,000⁶⁰ you can get only IDR100,000⁶¹.”

Liang Tio San often received visits from government officials who usually brought in a large number of visitors. Liang Tio San commonly negotiated the price in advance with the person who brought the guests before the actual visitors came. It was common for this person to act as an intermediary because the guests were usually from other cities and looking for a special Lasem souvenir to take home. Lasem batik is usually bought as a gift or as a souvenir, especially for official government guests who visit the local government. Normally, the institution has a budget for purchasing souvenirs for guests; however, if the budget is limited or there is no budget, the guests visit the batik firm and buy with their own money. Therefore, Liang Tio San prepares for the government's guests by having a large stock of batik clothes to offer customers a range of options.

To determine the price, the Chinese Indonesian owner-managers apply certain criteria, since, in their opinion, batik is a work of art. The price is dependent on the quality of the batik cloth and the appeal of the design. Wen Soen Lie said,

“Price is a matter of taste. When it is considered good, the price will be high. Otherwise it will be cheap.”

Evidence that batik is a work of art with no fixed price range is evident from the case of a collector who bargained fantastic price of IDR200,000,000⁶² for a piece of classical batik cloth produced by Merah Delima, during an exhibition in Jakarta in 2010. . Lie Sio Lan,

⁵⁴ It is equivalent to £6.19 with exchange rate £1 equal to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁵⁵ It is equivalent to £5.16 with exchange rate £1 equal to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁵⁶ It is equivalent to £25.81 with exchange rate £1 equal to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁵⁷ It is equivalent to £18.07 with exchange rate £1 equal to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁵⁸ It is equivalent to £8.26 with exchange rate £1 equal to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁵⁹ It is equivalent to £6.19 with exchange rate £1 equal to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁶⁰ It is equivalent to £6.71 with exchange rate £1 equal to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁶¹ It is equivalent to £5.16 with exchange rate £1 equal to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁶² It is equivalent to £14,394.70 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

however, chose not to sell it, and still had it in 2014 because this was made when her mother was still alive.

In fact, the Chinese Indonesian owner-managers are very flexible in deciding the price. They could offer the same cloth for a different price, depending on where the cloth is sold, who the buyers are, and the level of demand. For instance, they usually lower the price in the last days of an exhibition; they set a higher price for the functionaries who buy batik clothes; they lower the price when the market is flagging. However, production costs have a strong impact when deciding the price.

The ethnic Chinese batik owner-managers, as mentioned in the previous chapter, are concentrated in the Chinatown area located at Lasem's city centre, comprising Sumber Girang, Babagan, Karangturi and Gedong Mulyo. On average, Chinese Indonesian owner-managers live in old Chinese houses inherited from their predecessors, the architecture of which is a mixture of Chinese, Dutch East Indies and Javanese styles, with high walls complete with double layered main gates. Customers who came had to press the doorbell first, since the outer door of the house was always closed. They usually do not know when their houses were built, but they have been in the family for many generations and they continue to preserve them in order to pass them on to the next generation. Only three Chinese Indonesian owner-managers did not live in old Chinese houses.

The ethnic Chinese owner-managers' houses also determine the way they conduct business. Chinese Indonesian owner-managers who lived in old Chinese houses did not have separate batik showrooms. They used the central living room, which looked like a large open structure in front of the house, as the place for welcoming and engaging with customers. The workshop was located in the back part of the house surrounding the main building, and was equipped with a well used in the colouring process. Their stock of batik cloth was kept in cupboards, usually in the back part of the main house. They would bring the stock out to the living room and spread the pieces of batik cloth on the table when prospective customers came to the house. Several participants still maintained this practice in 2014. Only Huang Tjaw Hien owned a *gawangan*⁶³ (hanging rack) that he used as a showcase, placed near the stock cupboard in the back part of the main building of the house. He would then invite his guests to go straight to the production area at the back part of his house if they wanted to choose any batik clothes and see the production process. He said that he started doing this after he received many visitors, ranging from the media,

⁶³A wooden piece of equipment used to hold batik cloth.

government officials, researchers to tourists, who wanted to see the batik production process and the beautiful construction of his old Chinese house while buying his batik cloth for souvenirs.

The Chinese Indonesian owner-managers who did not live in old Chinese houses, such as Siem Djun Gwan, Liang Tio San and Wen Soen Lie, had renovated their houses by building showrooms in the front part of their houses. They said that the showroom was used to receive prospective customers and display their batik cloth. Their showrooms looked modern and were equipped with showcases. In front of her house, Wen Soen Lie built a shop measuring approximately 5 metres x3 metres with an iron roller door, a style common for shops in Indonesia. Siem Djun Gwan even air-conditioned his showroom, and installed a carpet for his prospective customers who preferred to sit on the floor. According to him, customers felt more comfortable when selecting batik cloth if they were free from the heat, because it could take some time to choose batik cloth. Prospective customers first opened the batik folds one by one, and then spread each to see whether the pattern and colour suited their taste.

The target market for ethnic Chinese batik owner-managers are batik lovers. With the Lasem batik market spreading, it no longer merely targets ethnic Chinese customers. Owner-managers market to Jakarta, Surabaya, Serang, Banten and Medan, based on the opportunity to participate in exhibitions and maintain their predecessors' resellers. Most Chinese Indonesian owner-managers made Jakarta their main target, since that community's interest in batik, particularly Lasem batik, is quite substantial. The exhibitions in Jakarta usually attract many visitors, coupled with high purchasing power. Lie Sio Lan stated that she once had a turnover of IDR450 million⁶⁴ from a five-days' exhibition in Jakarta in 2010. In addition, Liang Tio San said that most of the turnover of his batik sales came from the exhibition in Jakarta.

“When joining an exhibition in Jakarta in 2010, it is promising. Usually when I bring 20 sacks, only 7 remain..... One sack contains 80 pieces. Sometimes even before entering the exhibition, I can get as much as IDR100 million⁶⁵.”

The Lasem batik-marketing region is now narrower than it was in its golden age during the Dutch occupation. It once extended to areas outside Java, such as Sumatra, Bali and

⁶⁴ It is equivalent to £32,388.08 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁶⁵ It is equivalent to £7,197.35 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

Gorontalo (Sulawesi Island), and batik was exported overseas to countries such as Malaysia, Singapore and Suriname. Nowadays, Lasem batik owner-managers do not export their product directly overseas because batik products are not as popular as they once were, as experienced by Lie Sio Lan's mother. Lie Sio Lan said that her mother once joined an exhibition in Dubai, but nobody bought her product because the local community was not interested in batik cloth. She did not expect this to happen because her product was favoured in the domestic market. Moreover, joining the exhibition was very expensive and, although the stand was free, Lie Sio Lan's mother still had to pay high expenses for accommodation and transportation. Since then, Lie Sio Lan's mother has been unwilling to join any overseas exhibitions. Based on her mother's experience, Lie Sio Lan does not intend to export her products. In her opinion, unlike other kinds of textile, only certain communities appreciate batik. Therefore, understanding a local community where the exhibition is conducted is important before deciding to join the exhibitions. Liang Tio San was also unsure of how batik would be accepted in a foreign market, saying:

“... Well, of course it's difficult to sell. People buy batik here in Indonesia, because we are proud to wear it as part of our culture. Foreigners' tastes are difficult to predict and various. Moreover, batik has colourful and rich patterns and not everybody likes it. But, if for souvenirs, it's possible. People will buy, as souvenir.”

This suggests that batik as a fashion product is highly dependent on the taste of the wearer and serves as an expression of a person's identity, thus the batik market nowadays is strongly localized.

Batik owner-managers marketed the products through direct selling to buyers and to intermediaries such as traders, middlemen and competitors. Traders bought products continuously and resold them. They often used a fixed purchase system whereby they obtained special prices for resale, and the goods or items could not be returned or exchanged. Some other trading systems used by the batik owner-managers include a consignment system, where goods were given to the seller but payment was not made until they had been sold; and a credit system, in which payment was made within a one to two-month period. An important consideration in using this system was the trader's good rapport. Another option was working with middlemen, such as guides and travel agents, who worked solely to bring in prospective buyers. According to Liang Tio San, some people act as *ad hoc* middlemen, bringing him colleagues or business contacts that are visiting Lasem and want to buy a special Lasem souvenir. Liang Tio San said that he gives a commission to these middlemen, the amount of which depends on how much was bought by his or her guests.

In marketing batik products, ethnic Chinese owner-managers use Black Berry Messenger (BBM) to communicate with buyers. As reported by Lie Sio Lan:

“Initially, I used a mobile phone in making contact with buyers. I would send pictures through multi-Media Messaging Service (MMS). Then, many of my customers asked me to buy a Black Berry to be able to have contact through BBM. It is cheaper than using MMS, because buyers usually asks for more than one picture. So they persuaded me to buy Black Berry which I bought in 2011. Many exhibition visitors added me in their contact list. They ask for pictures of batik cloth and pick the ones they like. Then they send me money and I send them the cloth by expedition. Just as simple as that. So I distribute pictures when I have a new collection using BBM.”

Since 2011, Liang Tio San and Siem Djun Gwan have shared this experience. Only the young generation use BBM to communicate with buyers. BBM was found helpful as the communication tool that allowed them send pictures on a low budget. They stated the BBM number on their name card and distributed it widely at each exhibition where they participated. However, only Lie Sio Lan is relatively active with her BBM by publishing pictures when she has a new collection, since she sells an exclusive batik for medium-high class customers. The other Chinese Indonesian owner-managers tend to use BBM only to communicate with their buyers. They are not actively selling the product through BBM, since they have lots of stock and it is time consuming for them to take pictures of all their stock, managing the stock ready for sale and making transactions through BBM. The reason is they have many pieces of cloth and some cloth might have been bought by other customers who came to their houses. Since each piece of cloth is special, they do not have a copy.

The marketing strategy of ethnic Chinese batik owner-managers, especially the younger generation, relied heavily on exhibitions in big cities. They actively attended exhibitions, particularly batik exhibitions. Through exhibitions they contacted many buyers and attracted potential new ones. However, the older generation still relied on intermediaries to market their product. Almost all the older generation, including Huang Tjaw Hien and Tjiang Sian Me, felt they were no longer able to join exhibitions outside town due to physical constraints. Moreover, they worried that the profit would not cover all the costs of the exhibition. However, the older generation was helped by competitors in selling their batik clothes at the exhibition. For instance, Tjiang Sian Me said that Liang Tio San helped to market her batik product through exhibitions by bringing Tjiang Sian Me’s classical

batik products for display in the exhibitions, because Liang Tio San does not produce classical batik himself, meanwhile some exhibition visitors asked him for classical batik clothes. This arrangement suited Tjiang Sian Me because she was happy she did not need to go to the exhibition to sell her products. Liang Tio San sold Tjiang Sian Me's products on consignment whereby the payment was made only after the clothes were sold. Liang Tio San was free to set the selling price of Tjiang Sian Me's batik products at the exhibitions. Tjiang Sian Me applied this strategy to survive in a tight market. It also overcame her physical mobility constraints to participate at the exhibition. This strategy is only employed by the older generation. The younger generation of ethnic Chinese owner-managers do not cooperate in this way with other younger generation ethnic Chinese owner-managers in marketing the products. Neither does this marketing strategy apply between different ethnic backgrounds.

5.3 Tangible and Intangible Business Inheritance

This section discusses the sustainability of business at the micro level by looking at the crucial aspect of business assets inheritance in ensuring business sustainability. Interviews with ethnic Chinese batik owner-managers showed that the tangible, as well as intangible, assets of their businesses had typically been inherited from one generation to another. The intangible assets are in the form of business skills, including knowledge of production and colouring techniques including the colouring formula, business management, managing batik workers, financial management, the network with resellers and suppliers. Importantly, they also inherited their predecessor's business reputation in the batik business. This is illustrated in the case of Hijau Daun batik, which was run by Liem Lie Tiaw who belongs to the fifth generation.

Liem Lie Tiaw belongs to the fifth generation of the Huang's batik family. He learnt the business from his predecessors, who have passed away. His grandfather, Huang Tek Khoen, told him that he inherited the business from his great grandfather. Liem Lie Tiaw heard from his predecessors and the community that in the past his great grandfather, Huang Tjien Tie, was a very big batik producer in Lasem. During the golden age of Lasem batik (around the 19th century), Huang Tjien Tie's batik market extended to foreign countries, such as Singapore and Malaysia. Unfortunately, Huang Tjien Tie's business was closed down in 1942 when the Japanese occupied Indonesia. Huang Tjien Tie had seven children, two of whom were Huang Tek Khoen, Liem Lie Tiaw's grandfather, and Huang Tjaw Hien, who still runs his own business today; Huang Tek Khoen gave his business his own name. Huang Tek Khoen's batik business was smaller than Huang Tjien Tie's. Liem Lie Tiaw was not

certain when Huang Tek Khoen started his batik business. He only knew that his grandfather employed a large number of workers. Nearly all the female residents of Jeruk village became his grandfather's batik workers. Huang Tek Khoen's house was very big, with about 1.8 hectares used for the house and batik production which showed the extent of Huang Tek Khoen's batik firm at that time. While Huang Tek Khoen's batik business was in its golden age, it was able to produce 100 pieces of cloth every month and employed 425 workers. The products were exported to Singapore, Japan and the United States of America through an intermediary in Cirebon. On his death in 1973, the property was bequeathed to two of his children. Liem Lie Tiaw's mother, Huang Tek Lien, inherited half, and Huang Tek Lien's older sibling inherited the other half. It was Huang Tek Lien who continued Huang Tek Khoen's batik business. With the change of ownership, the name was changed to Hijau Daun, because the government prohibited the use of Chinese names under the assimilation policy⁶⁶ at that time.

Almost all the ethnic Chinese batik owner-managers inherited intangible assets from their parents with the exception of Wen Soen Lie, whose parents dealt with sundries rather than batik. Even though her parents were not batik owner-managers, her business was increasing. She was already familiar with all business activity, such as marketing, financial management and managing workers. Furthermore, Wen Soen Lie had the opportunity to learn batik when she was living with her cousin who ran a batik business. Seeing her cousin's success, Wen Soen Lie was inspired to learn more and started her own batik business.

The majority of Chinese Indonesian batik owner-managers were brought up in batik-producing families, and spontaneously acquired knowledge about batik from their family elders.

As Tjiang Sian Me related:

“In the past, when my mother was making batik, I often watched her. I ask things like what colour will you give to this cloth, mom? So, it is how she taught me at that time. Later on, my mother said that her batik firm one day would be mine. She asked me to carry it on.”

The ethnic Chinese batik owner-managers learned by watching, listening and discussing while living in the family. Therefore, an ethnic Chinese batik producer's house became a business incubator for the next generation. Liang Tio San recalled this when reminiscing about his childhood, when he often disturbed his mother's batik workers. It was from there that he started to understand how a piece of batik cloth was produced.

⁶⁶ around 1967

“Well.... I was a naughty boy... at home I took part in colouring ...

I seldom playing outside. I just stayed at home I saw batik workers doing their jobs.

Colouring.... drawing on batik cloth ... I often disturbed them”

Batik workers also became a source of knowledge about patterns that were frequently made. Lie Sio Lan admitted that she learnt a lot of patterns from her batik workers, who had often been directed by her mother when she was still alive. The batik workers themselves had already learnt the typical Lasem batik patterns which often served as the background of batik cloth, for example *latohan* (sea grass motif), *kricak* (small stone), *sekar jagat* (world of flower), and *watu pecah* (broken stone), as most of them were descendants of batik artisans and had acquired knowledge from the previous generations.

Tangible assets that were inherited included land, buildings, equipment, and raw materials; often employees were also bequeathed from generation to generation. Batik workers usually preferred to stay when they were comfortable in their working environment. The provision of business inheritance normally only happened when parents were old, no longer in good physical condition or sick.

The process of determining who would continue the family business began when parents aged and physical constraints meant they required their children's assistance. Ethnic Chinese batik owner-managers want to keep their business going, especially when business is prospering. Tjiang Sian Me, for example, asked her youngest son, who was considered the least successful of the siblings, to continue her business. Conversely, when a Lasem batik business is not prospering, parents tend to let their children look for better opportunities in big cities.

As Indonesians of Chinese descent, the Chinese Indonesian batik owner-managers in Lasem generally followed the patriarchal Chinese tradition, where the family structure was based on patrilineal descent, and the power and authority were in the hands of a man. Confucian teachings ascribe the power in the family to the father, and the children are obliged to be devoted to their parents. These teachings were dominant in an ethnic Chinese batik producer's life in Lasem, although they could be flexible in practice when circumstances changed. The business was normally bequeathed to the oldest child or sons. Siem Djun Gwan's parents gave legacies only to their two sons; their daughter did not receive anything because she lived with her husband on another island. Siem Djun Gwan explained that his grandfather, Kho Tjoe Yap, bequeathed his batik business to his only

son, Kho Tjoe Liong, not to her mother Kho Lan Me. Kho Lan Me decided to start her own business.

Business successors were first chosen from nuclear family members, but when no one was willing to take this responsibility, then this offer was made to extended family members. This happened when a first-line successor had better opportunity than continuing his or her parents' batik firm. This was the case with Liem Lie Tiaw, who was initially unwilling to take over the business because he already had a good job in Surabaya. Liem Lie Tiaw's older sister also declined, thus his father chose one of Liem Lie Tiaw's cousins as his successor. This indicates that changing situations and conditions encourage Chinese Indonesian batik owner-managers to become more flexible in the way they chose successors. Business sustainability was evidently more important than holding firmly to Chinese traditions. It shows that non-economic factors succeed in encouraging potential successors in taking over the firm; if continuing the family firm is perceived as a duty and that duty is not fulfilled it might lead to feeling guilty (Katila, 2002).

Of all participants over seventy years old, only Huang Tjaw Hien still had problems in finding a successor. The potential successor reluctantly agreed to take over the batik family firm, because he already had a more lucrative opportunity in other cities. This becomes a serious threat to a batik firm's sustainability. This was experienced by Huang Tjaw Hien.

In 2012 he had initially persuaded his son Huang Tjaw Han to continue his batik firm. However, Huang Tjaw Han later decided to return to Bogor, because he was offered a promising job. With no successors willing to continue Bunga Megah batik, Huang Tjaw Hien's wife decided to keep the batik firm running until she was no longer able to handle it. When this happens, and if nobody in the family is willing to continue the business, Bunga Megah batik will most likely close down. Huang Tjaw Hien feels desperate, because he had not found potential successors within his family who are willing to continue the business.

In fact, the absence of a successor could potentially threaten the sustainability of the firm. The above situations show that specific conditions and situations such as desirability, traditions and a perception of the potential worth of the business among potential successors all can play a role in determining the success of succession (Getz and Petersen, 2004).

5.4 Family Life Disruption

Disruption can arise from inside the family firm, since in a family firm, the business and the family are intertwined. This presents the micro level perspective in looking at

business sustainability, which sees internal disruption impacting on the business as well as family affairs. In a family firm, business life cannot be separated from family life; one is embedded in the other.

Disruption in a family might impact on the business's financial viability, for instance, when a family member is seriously ill. This was the experience of Liem Lie Tiaw's family during a difficult time in their batik firm.

The difficult time started in 1992 when Liem Lie Tiaw's father was diagnosed as suffering from lung cancer. The family's finances were concentrated on covering his medical costs, placing a critical strain on the Hijau Daun family firm. Along with Liem Lie Tiaw's illness, several disadvantageous events occurred which impacted on the business. In 1998, the economic crisis caused the worst conditions for the Hijau Daun family firm. The Hijau Daun family firm was forced to temporarily stop operating. When demand for Lasem batik recovered in 2004, Hijau Daun started production again. However, Liem Lie Tiaw's family faced another problem when his mother fell ill and died in October 2011. Not long afterwards, his father's lung cancer became worse, and business profits were fully dedicated to his recovery. However, the business profit was still not enough, as medical costs over five months amounted to more than IDR100,000,000⁶⁷. The family had to borrow money. Liem Lie Tiaw felt depressed thinking about the large costs that he had to cover; along with having to fulfil the wishes of his father and older sister, which was not in line with his desire to have a career in the big city as he had already. Initially he persisted in his stance not return home, until his father got very ill and his sister insisted him to continue the family firm, as he is the only son in the family. Liem Lie Tiaw could not refuse his sister's request, which he highly respected after a series of contentious arguments. His father finally died in May 2012. Afterwards, Liem Lie Tiaw had problems repaying his family's loan, and this took all the business profits. Things became worse when his older sister died one after another in January and June 2013. To cover the burial costs, Liem Lie Tiaw borrowed from his relatives and his former boss. To stabilize his business finances, Liem Lie Tiaw obtained Partnership and Environmental Care Programme aid of IDR25,000,000⁶⁸ from *Askes* (Health Insurance) in 2013, using his motorbike as a guarantee.

In general, illness of family members heavily drains family businesses financially. The lack of awareness in joining health insurance can take away funds from the business, as in the case above. Business profits originally allocated for production must be used to cover medical costs.

⁶⁷ It is equivalent to £7,158.70 with exchange rate £1 equal to IDR13,969 in 2011 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁶⁸ It is equivalent to £1,243.97 with exchange rate £1 equal to IDR20,097 in 2013 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

Furthermore, succession tension can also arise when the children have no intention to continue the family business. Interestingly enough, the pressure to continue the business can be a positive (business continuation as such) as well as negative factor in business sustainability. Ultimately, the pressure might have an impact on how he or she manages the business which can lead to low performance (due to low morale) and thus can also potentially threaten business sustainability.

Accidents are other events that threaten family finances, particularly when serious injury results in high medical costs. Further, sudden death of family elders also threatens the sustainability of ethnic Chinese batik owner-managers' businesses, especially if the successors have not yet learnt to manage the family business and are burdened with the responsibility for settling unpaid loans. Lie Sio Lan experienced a similar disruption in her family life.

In 2000 Lie Sio Lan had an accident that put her in hospital for two months, with medical costs of IDR250,000,000⁶⁹. The batik business at that time was slack, her mother had to look for loans for the medication and treatments. Fortunately, her uncle was willing to bear the costs and she did not have to return the money. The family's financial position was very difficult at that time, since Indonesia was in the midst of the economic crisis. The batik business stalled and unsold stock was piling up. To survive, her mother borrowed money from her friends by pawning her batik products. The Merah Delima batik family firm was saved when, in 2005, the demand for classical batik started to rise again. The stockpiled supply sold out. Her mother was able to take advantage of the high demand for batik, since producing batik clothes was time consuming. Lie Sio Lan's mother exploited the revitalized batik market by actively taking part in exhibitions in big cities, and formed batik cluster groups in 2004. The cluster members were village women who were interested in doing batik work. Some of them were newbies and the others were batik workers who had been laid off during the economic crisis around 1998. Lie Sio Lan's mother took this action to bolster the decreasing number of batik workers, as skilled workers were becoming very difficult to find. Lie Sio Lan's mother's efforts were fruitful, as her product had become well known in Jakarta. She received orders from government officials, among them Purnomo Yusgiantoro, the Minister of Energy and Mineral Resources, who placed an order for around 300 clothing items.

Lie Sio Lan's hardest experience was when her mother suddenly died in March 2010 and she had to continue the Merah Delima batik firm. She had not had the opportunity to learn

⁶⁹ It is equivalent to £17,483.74 with exchange rate £1 equal to IDR14,299 in 2000 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

batik business management directly from her mother before her mother's death. The main constraints in taking over were not knowing the colouring formulas and the obligation to continue paying bank loans. She never joined her mother when she was colouring; but fortunately, her mother had recorded her colouring methods and materials in a notebook. It was like a recipe book. She was lucky to find that book. Her mother was doing colouring the day before she died and her notebook was left on the table when she was taken to the hospital. Her mother usually kept that book secretly. Lie Sio Lan learnt the colouring formula from her mother's notebook. All that was left to her was about IDR6,000,000⁷⁰, some raw materials, and some batik cloth ready to be coloured and several batik clothing items ready to be sold. Her mother had been preparing batik cloth for an exhibition to be held in Jakarta before her death. Her mother's sudden death was the most difficult time for Lie Sio Lan. She was relying on her mom financially and lived with her mom. Lie Sio Lan faced further economic hardship. Her stepfather did not want to pay the bank loans since he felt that Lio Sio Lan was responsible for the loans because the Merah Delima batik firm was taken over by her. Therefore, she had to find IDR3,800,000⁷¹ every month to pay the bank loan. Fortunately, at the exhibition in Jakarta, Lie Sio Lan made an extraordinary sales amount of IDR450,000,000⁷², thus the bank loan of IDR200,000,000⁷³ could be paid in full.

This demonstrates that the family's financial condition affects their business operations. Similarly, business sustainability provides the family's finances; thus, the family's financial position and family affairs are interrelated and inseparable. A sudden death also creates tension family firm succession due to not having decided yet who will take over the business; since no preparations have been taken or made in choosing the successor, succession occurs by default.

Another event that impacts on the family and firm financially is the need for education funding. This occurs when the ethnic Chinese owner-managers send their children away to universities in other cities. There is a trend in the ethnic Chinese community in Lasem to provide a good education for their children by sending them to universities in big cities like Semarang, Jakarta and Surabaya. This necessity arose when the children graduated from senior high school, because there is no higher education institution in Lasem, particularly at university level. It indicates that Chinese Indonesian owner-managers are aware of the

⁷⁰ It is equivalent to £431.84 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁷¹ It is equivalent to £273.50 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁷² It is equivalent to £32,388.08 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁷³ It is equivalent to £ 14,394.70 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

importance of education for their children. As well, it generates prestige if they are able to send them outside the city for their education. However, the choice of the university depends of their financial ability. Chinese Indonesian families usually choose a university in Surabaya or Jakarta as they consider that a metropolitan city would provide better education and more opportunities for their children's future. When this is not possible, they choose a less expensive university in other cities.

Tjiang Sian Me experienced difficulty when three of her sons went to university in Yogyakarta and Semarang. Her children's education expenditure drained the family finances. She reduced her ready-to-sell inventory of batik clothes, because she needed the firm's money to pay her sons' education expenses. This occurred at the same time as reduced demand for batik during the post-economic crisis around 1998-2005. By 2005, her business was in severe financial hardship. Then she received monthly financial support from her eldest son who had graduated and was earning money. Later, her business began to grow and she used her son's money to expand the business by increasing production until she no longer needed her children's financial support. She was able to pay for her children's weddings: oldest son in 2008, middle son in 2010 and youngest son in 2012, because demand for her batik was growing.

This demonstrates that the business supports the family's financial need, and vice versa, because ethnic Chinese owner-managers integrate family money and business money. It also demonstrates that disruptions in the family impact on family sustainability and appropriate responses are needed to keep the family business running.

Chinese Indonesian batik owner-managers commonly include family members in their business. This sometimes causes tension in the workplace, which leads to family conflict. This was the case with Liang Tio San, who included his youngest brother Liang Lay Hien and his wife Lu Soen Tjen in the management of the Gaman Jaya batik firm. A quarrel arose because Liang Lay Hien wanted Liang Tio San to share income rather than pay him a salary. He felt that a salary alone was not fair because Liang Lay Hien and Lu Soen Tjen shared management responsibility with Liang Tio San. Liang Tio San, however, he felt that the salary was sufficient. He refused to share business profits with his brother. Liang Lay Hien and his wife finally decided to leave the Gaman batik firm in 2013. Liang Tio San admitted that he found it difficult to manage his growing business by himself after his younger brother and sister-in law left. He needed a trust-worthy and reliable person to help him with daily activities and replacing his role if needed. The Gaman batik firm was the biggest batik business in Lasem during this research study. Liang Tio San was the only

batik producer in Lasem with workshops in four different locations: Sumber Girang, Karas Jajar, Ngropoh, and Karangturi villages. Therefore, he asked another brother to work with him, because Liang Tio San was the second child in a family of six. He felt he could trust family members more than anybody else. This business conflict then led to a family conflict. When Liang Tio San's mother passed away, Liang Lay Hien did not come to his mother's house for the funeral because Liang Tio San had shared the house with his mother while she was alive. It is evident that conflict in business has a detrimental effect on family relationships; family members' involvement in business is likely to create tension in family life when disagreements occur in the firm.

5.5 Changes of Fashion Trends

At the meso level, changes in fashion trends (see chapter 4 for details) impact on the fluctuation in batik sales, which affects business sustainability. Ethnic Chinese Lasem batik owner-managers exploited this opportunity by increasing production and expanding their market throughout the Indonesian archipelago, Singapore and Malaysia. Huang Tjaw Hien said that his father, Huang Tjien Tie, exported his batik clothes overseas through a Dutch ship courier agent. Huang Tjien Tie was brave in taking the high risk in the hope of a substantial return by taking advantage of massive rising demand. Huang Tjien Tie communicated with overseas buyers only by letter. He would send the order first and then the buyers would send the payment via bank transfer after the buyers received the delivery. Trading this way was quite risky; but Huang Tjien Tie never experienced any deception and business relations were maintained based on trust. Response to the immense demand was achieved by adopting *cap* (stamp tool) as a new method in applying wax on the clothes besides *canting* (a pen-like tool).

With the arrival of modern clothing styles, the fashion trend changed after 1940. This resulted in a decreasing demand for batik clothes. According to Tjiang Sian Me, her mother then decided to reduce production.

Batik fashion became a trend again in the 1970s, batik is perceived as formal Indonesian cloth. The woman wore batik cloth together with *kebaya* as a lower garment and the man wore a batik shirt as a top. Although batik once again became a fashion trend, in Huang Tjaw Hien's experienced the demand for his batik products was about the same as before. There was no obvious difference.

UNESCO announced that batik was Indonesia's cultural heritage product in 2009 (Chong, 2012). According to participants' opinions, pride in wearing batik cloth, and the desire to preserve batik as an Indonesian cultural product, extended the use of batik to any occasion, not only for formal events. This boosted batik demand during that period.

Most ethnic Chinese batik owner-managers said that Lasem batik was favoured and the most popular compared to batik made in other industrial batik centres in Indonesia. In fact, Lasem batik has many fans at the exhibitions, especially in Jakarta, and the owner-managers achieved greater income from those events by selling many clothes. Liang Tio San mentioned that, at one exhibition, he could sell 2,340 pieces of clothing on average. In 2010, even before he entered the exhibition stall, Liang Tio San had sold IDR100,000,000⁷⁴ worth of batik when he met buyers in the car park. This opportunity enabled him to successfully develop his business. He was able to buy some property for the family. Siem Djun Gwan added that around 2008–2010 became his golden era for his batik business. He seldom brought home any remaining clothes from exhibitions he took part in; nearly all had been sold. Lie Sio Lan had a similar experience. She sold as much as IDR450,000,000⁷⁵ worth of batik at the 2010 Indonesia Fashion World exhibition in Jakarta. Also in the year 2010, Liem Lie Tiaw added that he managed to make IDR60,000,000⁷⁶ and IDR70,000,000⁷⁷ at each exhibition in Jakarta. Since then most Chinese Indonesian batik owner-managers, the young generation in particular, have been keen on joining exhibitions in Jakarta, such as the *Gelar Batik Nusantara* (Nusantara Batik Display) exhibition and Indonesia Fashion World exhibition because the Jakarta community has a strong interest in batik products. The exhibition arena became the right place for marketing Lasem batik products. Moreover, Liang Tio San and Siem Djun Gwan sold, not only batik in the form of cloth, but also in the form of ready-to-wear clothing.

5.6 Technological Innovation

At the meso level, innovations in textile-printing machine technology were felt to be a threat to the sustainability of Chinese Indonesian batik firms which sold the lower-middle class products. In 2012, textile-printing technology emerged that could make identical

⁷⁴ It is equivalent to £7,197.35 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁷⁵ It is equivalent to £32,388.08 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁷⁶ It is equivalent to £4,318.41 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁷⁷ It is equivalent to £5,038.14 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

copies of hand-drawn Lasem batik products, known as printed batik. Liang Tio San was affected when his batik product was copied using a textile-printing machine. Below is Liang Tio San's experience when he discovered that a textile company in Jakarta, named Sumber Agung, had copied his hand-drawn product to produce a printed batik version.

In 2013, unlike previous years, his business was slack. In his opinion this was caused by the large amount of printed batik in Jakarta, which was his main hand-drawn batik market. He investigated further, and made the discovery that Sumber Agung Company in Jakarta had used many of his hand-drawn batik patterns to make a printed version. He noticed the printed batik products which he saw in the exhibition by chance. Moreover, he also saw a duplicate printed batik product of his friend's, Muchlis, a Javanese batik producer hand-drawn motifs and patterns design being resold. Initially, Liang Tio San was shocked and matched his hand-drawn batik with that of the printed batik. The patterns and marks of the wax drops were faithfully duplicated, thus, people with no knowledge of batik quality would be deceived. When the hand-drawn and printed products were put side by side, they look identical. This very much disturbed him. The printed product was being sold for only IDR37,500⁷⁸, whereas the lowest price of his genuine hand-drawn batik product was around IDR350,000⁷⁹. Liang Tio San estimated that Sumber Agung had duplicated about 20 of his batik patterns, maybe more. Therefore, he was annoyed, and wondered why the company did not create its own patterns. According to Liang Tio San, no other printing companies had been able to make identical copies. Later, he found that the company had the latest textile-printing machine that could exactly reproduce the genuine product using only photographs.

Liang Tio San realized that what the company did was an act of piracy that should be brought to court. However, he decided not to report to the police because he thought the cost would not be worth taking action against a large company in the court. Whatever happened, he would be the loser. Liang Tio San did, however, report to the government through an officer of the Department of Industry. However, they could do nothing, because Liang Tio San had not patented his batik patterns. He himself was reluctant to apply for patents because of the high cost of patent fees. Besides, it would be difficult to obtain patents for his entire product range since he has many different patterns and motifs. It would be costly and almost impossible to have patents issued for all of them. According to Liang Tio San, none of his hand-drawn batik pieces was alike.

⁷⁸ It is equivalent to £0.536 with exchange rate £1 equal to IDR20,097 in 2013 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁷⁹ It is equivalent to £17.416 with exchange rate £1 equal to IDR20,097 in 2013 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

Liang Tio San's experience demonstrated the threat that modern textile-printing technology posed to the sustainability of Lasem hand-drawn batik owner-managers. Furthermore, many consumers found it difficult to distinguish between the genuine hand-drawn product and the printed one. The availability of printed batik impacted mainly on the batik business selling the lower-middle class products, where usually customers saw batik more for its function, unlike middle-upper class products that are sold for customers who saw batik as an art product. Consequently, this market preferred lower priced batik, without being concerned whether or not it was a genuine product.

None of the Chinese Indonesian batik owner-managers was interested in adopting the printing technology. They continued producing hand-drawn batik, reasoning that hand-drawn patterns were the main distinguishing characteristic of Lasem batik. Only one producer, Siem Djun Gwan, tried once to sell printed batik he ordered from a batik company in Pekalongan, but it did not prove saleable. Later, Sinar Megah batik also tried to sell printed batik at an exhibition, however, it was not saleable. Neither ordered printed batik anymore.

5.7 Competitive Environment

At the meso level, changes in the competitive environment affect business sustainability. The owner-managers' ability to manage the challenges caused by changes in the local opportunity structure determines the business's ability to survive from time to time. The increasing demand for Lasem batik cloth made many people interested in opening a batik business. After 2005, a significant number of new owner-managers emerged. In 2006, 20 Lasem batik owner-managers were registered in the batik cooperative, comprising 14 Chinese Indonesian and 6 Javanese owner-managers.⁸⁰ By 2014, the number of cooperative members had increased sharply to 70 people, comprising 56 Javanese owner-managers and 14 Chinese Indonesian owner-managers. Membership was not obligatory, thus there were other owner-managers who had not joined the batik cooperative. According to the participants, the increasing numbers of new batik owner-managers made competition among them very tight.

The growing number of batik owner-managers in Lasem reduced the availability of good batik workers, and competition to recruit skilled workers was unavoidable. The increasing number of owner-managers was not matched by an increasing number of batik workers,

⁸⁰Source: outcome of research conducted by the Institute of Indonesian Pluralism, 2007

and all the participants felt this. Ethnic Chinese owner-managers adopted several strategies to attract and or keep their batik workers loyal. They competed by increasing wages so that their workers would not move to their competitors, and they treated their workers well to keep their loyalty. In 2010, Lie Sio Lan increased wages from IDR20,000⁸¹ to IDR55,000⁸² per day; she gave them a bonus of IDR25,000⁸³ for Saturday work and an additional bonus of IDR25,000⁸⁴ if they did not take any day off during the week. Huang Tjaw Hien supplied a more varied menu for their lunch, because previously they were always given the same meal every day. Siem Djun Gwan gave his workers the opportunity to go on tour together at the end of the year, and provided a medical allowance for workshop workers. Liang Tio San was more aggressive in his attempt to secure workers.

To secure the availability of workers, in 2011 Liang Tio San introduced an innovative loan scheme whereby his workers could borrow money without lodging a guarantee. Through him they could gain access to the BRI bank credit scheme, with Liang Tio San as the guarantor. To do this he lodged the deeds of his house as a guarantee against a loan totalling IDR900,000,000⁸⁵. This was then divided among his 175 workers according to their ability to make repayments, in amounts which ranged from IDR2,000,000⁸⁶ to IDR5,000,000⁸⁷. Loans had to be settled within three years and the workers could only resign their jobs if they fully repaid their loan first. Liang Tio San realized that this practice was high risk. However, it works well to keep batik workers loyal. He could not do much if the worker defaulted on the loan. To minimize the risk, Liang Tio San gave loans cautiously and he formed his workers into groups and appointed one member of each as the head to take care of the instalments. He chose people who were respected by the rest of the group members as a group head. Thus, the group members might be encouraged to repay the loan on time. On the other hand, the heads have to make sure of the payment for each month. Informally, the head is responsible for the monthly payment of the loan to be repaid by all the group members. The instalments are different for each group. It highly depends on Liang Tio San's level of trust and his agenda. For instance, there is a group of five persons, with IDR5 million in loans for each person, at 0.5% interest per month over three years. Thus, the

⁸¹ It is equivalent to £0.695 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁸² It is equivalent to £3.958 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁸³ It is equivalent to £1.799 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁸⁴ *ibid*

⁸⁵ It is equivalent to £65,712.616 with exchange rate £1 equal to IDR13,696 in 2011 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁸⁶ It is equivalent to £146.028 with exchange rate £1 equal to IDR13,696 in 2011 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁸⁷ It is equivalent to £365.070 with exchange rate £1 equal to IDR13,696 in 2011 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

group head has to collect money from each member IDR819,440 each month and give the collected money to Liang Tio San.

In 2008 he also bought land and built a workshop in Karas Jajar, a village where many of his workers were living. He took this initiative because Indriyati (a Javanese batik producer) constantly visited his workers, enticing them with the promise of higher wages. He appointed the village head of Karas Jajar as leader of his workshop. Several of his workers in Sumber Girang did not agree with this idea, because there was a big old tree believed to have supernatural qualities on the land. However, considering the proximity of the land to where his workers lived, Liang Tio San went ahead with his plan. Since then, the tree has become a tourist attraction. Many of the tourists who come to see it then come to look at Liang Tio San's batik products.

Liang Tio San invested the profits from batik sales in property; some of which were used as workshops. He also built a workshop in Ngropoh in cooperation with bank BRI, and it became a batik village for tourism destination around 2012. As in Karas Jajar, this workshop was located close to his workers' domiciles.

Liang Tio San succeeded in attracting enough workers to increase his production by providing soft loans and by building a workshop in his batik workers' village. This had a negative impact on other batik owner-managers. Huang Tjaw Hien, among others, said that 10 of his skilled workers left him to go to work with Liang Tio San. Many Chinese Indonesian owner-managers were unhappy with Liang Tio San's manoeuvres to get workers, and conflict was inevitable. Lie Sio Lan was one of the unhappy owner-managers.

When Lie Sio Lan took over her mother's business in 2010, competition was very tight. Owner-managers were struggling against one another to get workers. She had no choice but to increase wages, because there were competitors who paid high wages and enticed workers with the provision of working capital for their husbands by giving them soft loans. Consequently, to cover the high labour cost, Lie Sio Lan had to increase her selling price. One of her skilled workers left her to join Liang Tio San for the higher wages of IDR35,000⁸⁸ per day offered by Liang Tio San. Lie Sio Lan, however, did not remain silent. She visited the worker and asked her to come back, offering her a higher wage than Liang Tio San's offer, about IDR50,000⁸⁹. Lie Sio Lan increased the wages by up to 40%, thinking

⁸⁸ It is equivalent to £2.519 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁸⁹ It is equivalent to £3.599 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

that Liang Tio San would not be able to match the increased wages since he sold lower-middle class product.

The tight competition made the batik owner-managers neglect business ethics, as experienced by Liem Lie Tiaw.

Liem Lie Tiaw had an unpleasant experience when taking part in an exhibition in 2011. To reduce costs, he shared a stand with four fellow Lasem batik owner-managers. However, a problem arose when each was trying to give the most competitive price and win customers for themselves. According to Liem Lie Tiaw, prospective buyers would normally think that they belonged to a single batik firm, because they were in the same stand. Once Liem Lie Tiaw was annoyed when a prospective buyer was negotiating with him and his competitor with whom he was sharing the stand took his potential buyer. The buyer had offered IDR2,500,000⁹⁰ for an item by Liem Lie Tiaw, when suddenly one of Liem Lie Tiaw's competitor who was sharing the stand with him offered his batik at the much lower price of IDR300,000⁹¹ at the same time Liem Lie Tiaw was in conversation with the potential buyer. It meant Liem Lie Tiaw lost that potential buyer. This experience made Liem Lie Tiaw reluctant to share an exhibition stand again with competitors, since the same thing was likely to happen.

The tight competition for buyers made a price war inevitable, and Liang Tio San reduced prices to attract more buyers. In 2005, during an exhibition in Jakarta, the Raja Tawon Lasem batik firm offered a hand-drawn product at IDR110,000 to the Domino Hudi batik firm (a wholesale batik firm from Solo). Liang Tio San, whose stand was located nearby, offered the Domino Hudi batik firm a batik product at the lower price of IDR75,000, and Liang Tio San offered a further discount of IDR53,000 if the Domino Hudi batik firm bought in large quantities. Thus, the Domino Hudi batik firm decided not to buy from the Raja Tawon batik family firm and ordered 400 pieces of batik clothing from Liang Tio San. The owner of the Raja Tawon batik family firm, who was also of Chinese descent, approached Liang Tio San and reprimanded him for destroying the price of hand-drawn batik by lowering the price. Liang Tio San argued that he employed this strategy to attract buyers. The Raja Tawon batik producer was angry with Liang Tio San. In fact, most of the participants were unhappy with the way Liang Tio San ran his firm: the way he obtained batik workers, and the way he approached potential buyers by lowering the price. His actions were considered destructive to Lasem's traditional batik market. Some Chinese Indonesian batik owner-managers reacted to the conflict by bearing grudges against one

⁹⁰ It is equivalent to £143.174 with exchange rate £1 equal to IDR13,969 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

⁹¹ It is equivalent to £21.476 with exchange rate £1 equal to IDR13,969 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/95231,470.73>)

another, ranging from not speaking to refusing to be active in the Lasem batik cooperative's activities, even though they were registered, because they did not like the chairman.

The conflict was not only among ethnic Chinese but also with Javanese batik owner-managers. It became worse after a number of former batik workers started to sell their own products. In the face of tighter competition, the participants tried to maintain the quality of their product through such things as the neatness of the paintings and the durability of batik colour even after repeated washings.

In order to remain sustainable in tight competition, Huang Tjaw Hien undertook a product innovation. The openness of the Reform government towards ethnic Chinese culture, from 1998 until today, encouraged him to create batik with Chinese proverbs using Chinese character patterns. He observed that Chinese Indonesian people were no longer shy to show their ethnic identity, instead, they were proud to show their ethnicity. He took this initiative in 2008 as a survival strategy, when he started to feel weighed down by competition from a growing number of younger owner-managers who were more mobile than he was. His new batik product design found acceptance in the market. Demand for his batik was rising, consequently, other batik owner-managers, like Liang Tio San and Rifai, tried to copy him by stamping Chinese characters on the batik cloth. Initially, Liang Tio San asked Huang Tjaw Hien to show him how to make the Chinese characters, but he refused to teach Liang Tio San who was his competitor.

5.8 Public Policy Changes

Changes in the economic and political situation are often followed by policy changes by the government. This was presented in detail in chapter 4. Changes in policies may bring either positive or negative impacts to the business entity. The appropriate response to these changes determines the business's sustainability.

There were two phases in ethnic Chinese batik business, ups and downs. The prosperous years were occurred during the Dutch Colonial era (19th century) and under Susilo Bambang Yudhoyono's regime (2004-2014), after the UNESCO announcement (2009) of batik as an Indonesian cultural product in particular. Meanwhile, the difficult conditions ensued starting with the Japanese occupation (1942-1945) to the New Order regime (1966-1998). This is explained as follows.

At the time of the Dutch Colonial era (19th century), Chinese Indonesian owner-managers benefited from a social stratification policy which applied to the community. The policy facilitated them to gain access to resources by giving them the privilege of importing raw materials needed for batik production. These materials included unbleached plain cloth, wax and colouring materials, none of which were available domestically. At that time, ethnic Chinese owner-managers also had the privilege of exporting batik products, which helped them to extend their market to countries like Singapore, Malaysia, Suriname and Hong Kong. They exploited this opportunity by increasing production capacity through increasing the number of workers and developing a production method using stamp equipment. The use of stamp equipment to apply wax on the cloth made the production process much faster and easier than using a *canting*⁹² (pen-like tool), thus demand could be met faster and at lower prices.

The only producer in Lasem who experienced life under the Dutch Colonial era was Huang Tjaw Hien. He was the only participant who had been through all the different periods and regimes since the Dutch occupation. Huang Tjaw Hien talked about the batik firm run by his father under the Dutch East Indies government. The following is a paraphrase of his story.

Little Huang Tjaw Hien experienced life under the Dutch East Indies government until he was 13 years old. To him this was the happiest time of his life, as a son of a wealthy family running a batik firm in Lasem. He felt that his father's firm was indeed so big that even now he could not match his father's success. To his mind the period of the Dutch East Indies occupation was not distressful, since owner-managers of Chinese descent obtained certain privileges in trade, the export and import of goods in particular. Huang Tjaw Hien's father, Huang Tjien Tie, inherited his father's firm in 1923, and became one of the Chinese Indonesian owner-managers who made the best use of these opportunities to develop his firm. This was proven by his father's ability to extend his market outside Lasem to such places as Semarang, Bandung, Solo and Jogja, and even to places outside Java, like Palembang, Sumatera and Madura. Huang Tjien Tie even exported his product directly to Singapore, Malaysia and Suriname. At that time his batik was produced in the form of long cloth with typical Lasem patterns. The lower cloth was paired with *kebaya*⁹³ as the top cloth. Lasem batik with typical Chinese patterns attracted women of Chinese descent who had adopted the local community's fashion style, as it accommodated their taste. Huang Tjien Tie

⁹² *Canting* is a like pen tool that is used for drawing on the cloth with wax.

⁹³ *Kebaya* is a kind of blouse the front of which is pinned together.

was able to extend his market to Singapore and Malaysia because a large part of the population there was of Chinese descent.

Huang Tjien Tie kept increasing his production capacity to 5000 and even 6000 pieces of batik cloth per month. A minimum of 10 bales of cloth was cut at once, producing 3900 pieces of cloth ready for batik processing. Huang Tjaw Hien recalled that in exporting the product to Malaysia, his father sent up to 500 pieces of cloth for each delivery. To meet the demand, he had recruited a large number of workers. There was a village near Lasem called Pancur, where almost all its female adult residents became Huang Tjien Tie's batik workers.

Huang Tjaw Hien remembered clearly the long queue of workers winding past the fence waiting their turn to collect wages every Saturday afternoon. To lift production volume, besides increasing the number of workers, his father later used stamp equipment instead of *canting*. This tool shortened batik production time, thus batik clothes could be produced faster.

However, the conditions of Lasem batik owner-managers dramatically changed during the Japanese occupation, which started in 1942. The comfortable life under the Dutch East Indies occupation changed to extreme distress with the arrival of the Japanese who then occupied the country. Below is Huang Tjaw Hien's story about his father, whose firm had to close in 1942 because he could no longer maintain it.

Huang Tjaw Hien recalled that his father decided to close his batik firm for fear that the Japanese government, known to be cruel, would take harsh action against people. The Japanese soldiers often came and seized their various possessions; such as rice, iron doors, domestic items and iron equipment. The Japanese soldiers even came looking for young girls for their fun. Whatever the Japanese soldiers wanted had to be given if they did not want to be beaten and sent to prison. For this reason, Huang Tjien Tie made a bunker to hide his young daughter when the Japanese soldiers were patrolling.

Japanese soldiers frequently came to check the house at lunchtime to see what kind of food the family was eating. When they were found eating rice, the hulled rice would be taken by force. If they resisted, they would be beaten or burnt with a lighted cigarette. At that time his family was only allowed to eat cassava and corn, because rice had to be given to the Japanese.

Under the Japanese government, people whom they considered disobedient were sent to the detention cell. Selling at a slightly higher price could also trigger the soldiers' anger, leading to beatings and imprisonment. Huang Tjien Tie was so afraid he decided to close down his batik firm. He managed to survive using the remaining profit he still had. War conditions

crippled the economy, as the Japanese government pooled all resources for war operations.

It is evident from this account that war condition threatened the firm's sustainability. During the war, Chinese Indonesian owner-managers gave priority to their family's safety, setting aside the sustainability of their firms. They chose to put their business operations on hold, surviving by meeting their daily needs from business income kept in reserve.

Japan exercised a tight economic control policy, with heavy sanctions for any violation of the law and price controls to prevent price increases (Isnaeni and Apid, 2008). These severe economic conditions caused Lasem batik owner-managers to close their firms, since the community had lost their purchasing power. Huang Tjaw Hien said that it was difficult to obtain unbleached plain cloth, which was previously imported by the Dutch East Indies government. The Lasem batik industry came to a halt.

In 1950, under the nationalism-oriented Old Order, Lasem did not have any batik cooperatives at that time and the ethnic Chinese owner-managers who ran batik firms tended to work as individuals. Tjiang Sian Me remembers that her grandmother's batik did not sell well, as the price was not competitive with products from other batik centres and cooperatives, such as Yogyakarta, Solo, and Pekalongan. Nevertheless, she could maintain her business with limited production, reluctant to build up a stockpile of unsold clothes.

Ethnic Chinese owner-managers in Lasem encountered greater difficulties with the promulgation of Government Regulation No 10 of 1959, which prohibited them from trading in sub-district level (rural) areas. They either had to transfer their businesses to Indonesian nationals, or relocate them to towns or cities at regency level. According to Huang Tjaw Hien, many ethnic Chinese owner-managers then moved to big cities such as Jakarta, Surabaya and Semarang. This was because Lasem was a sub-district town, below regency level. The majority of the ethnic Chinese owner-managers decided to move to big cities in order to keep their businesses rather than to have them being taken over by the government. A few owner-managers remained in Lasem, but ceased business activities. Huang Tjaw Hien's father decided not to revive his batik firm, although in the past it had been quite successful. To meet the daily living and education needs of his children, Huang Tjaw Hien's father used money saved from his batik firm's profits. Huang Tjaw Hien felt that at that time his father was truly rich, since he was able to support his family for decades using only his savings. It can be imagined how successful his batik firm had been,

since after it closed its accrued profits were the only source of the family's income.

The next major change in the government policy was the eradication of the Indonesian Communist Party⁹⁴ of which all Indonesians of Chinese descent were accused to be members due to their Chinese background, following the alleged attempted coup by the Communist 30 September movement (known as Gestapu) and the military response that killed all so-called communists in 1965/66. A participant from the older generation described the situation at that time, when the government persecuted PKI members. Ethnic Chinese owner-managers gripped with fear of the situation, such as his parents, closed their businesses. Some people who were accused of being PKI members suddenly disappeared, particularly those of Chinese descent who were considered to be connected with the communist party in China. Following is Tjiang Sian Me's account of her mother's discontinued business.

“.....around 1965, after the Gestapu incident, batik was not saleable. No buyers at all; so our stock piled up to thousands of clothes. Production stopped. It was not until the turmoil was over that production start again, little by little.”

In such a chaotic condition, ethnic Chinese owner-managers could do nothing except try to save their own lives. Batik owner-managers temporarily stopped production and kept their products in storage cupboards, as there was no demand.

Discriminatory treatment continued under the New Order government of President Soeharto (1966-1998). The ethnic Chinese owner-managers kept their businesses going. Between 1970 and 1980, 140 people were registered in the Department of Industry office, all of them of Chinese descent.⁹⁵

Discriminatory treatment of Indonesians of Chinese descent affected the way batik owner-managers ran their business. They chose to accept the government's mistreatment by adjusting to the existing regulations. The government prohibited the use of Chinese names, thus Chinese Indonesian owner-managers changed their Chinese names to Indonesian ones. Huang Tjaw Hien changed his name to Sugeng Wibowo (Indonesian name). Tjiang Sian Me became Kinanti and Wen Soen Lie assumed her new name, Suryanti. The same applied to the name of batik businesses. Before Presidential Instruction No. 13 of 1967 came into effect, ethnic Chinese owner-managers normally gave their Chinese names to the name of their firms. Afterwards, however, Chinese Indonesian owner-managers

⁹⁴ *Partai Komunis Indonesia (PKI)*

⁹⁵ Based on an interview with Njie Tjaw Hien

changed the names of their firms to Indonesian names. Tjiang Sian Me, for example, changed the name of her batik firm inherited from her parents, Tjiang Wei Djun, to Rusa Kuning. However, she still used the trademark Tjiang Wei Djun through stamping the cloth, which her parents had used on the family's batik clothes. She did this to preserve the good reputation of her family's batik firm, already well known as Tjiang Wei Djun. Similarly, Huang Tjaw Hien, who started to revive his father's firm in 1967, named his batik Bunga Megah. As well as Kho Lan Me, Siem Djun Gwan's mother, who chose Naga for the new name of the batik firm she started in 1979. Ever since the President's instruction, Chinese Indonesian owner-managers in Lasem have no longer used their Chinese names in their business.

As there was hardly any demand, batik owner-managers resorted to approaching intermediaries outside the town. Tjiang Sian Me and Wen Soen Lie, assisted by their husbands, offered batik products to intermediaries in Surabaya. At that time, there were no exhibitions as there are today. Intermediaries were utilized to market their products; this was one strategy to keep their businesses running.

Another way to maintain their businesses during the New Order period (1966-1998) was by having another source of income to support the business and family life, as Huang Tjaw Hien did by working in a private company from 1967 until 1994. Some participants chose to undertake business diversification. Wen Soen Lie started a sewing business and her husband ran a transportation business. Similarly, Siem Djun Gwan's father ran a brass firm making door handles, nuts and bolts, water pipe joints, and gas stove rings, as the income from batik was not promising. A brass firm offered better opportunities. The faltering batik firm also prompted Zhang Ling Shi, Tjiang Sian Me's husband, to seek another source of income by selling snacks and raising layer hens. This indicated that the conditions of batik businesses during this period was indeed very fragile.

In the New Order period, the government established an aid programme to improve the community's economy. However, in practice this programme did not reach the ethnic Chinese owner-managers whose position became marginalized. Only one of the participants, Huang Tjaw Hien, managed to access the New Order government's programme.

Huang Tjaw Hien had extensive social relations, and through the Regent of Rembang, he gained access to the Permanent Business Capital Credit aimed at assisting the community by providing business capital at low interest with no guarantee. Huang Tjaw Hien managed

to get 50 million by following the Regent of Rembang's suggestions that he should apply using his wife's name, as she was a Javanese woman therefore, she was perceived as an indigenous resident.

Negative sentiment was pervasive that residents of Chinese descent could not enjoy the benefit of any programmes launched by the government.

In 1997, the end of the New Order period, Indonesia suffered from the Asian monetary crisis leading to an economic crisis⁹⁶. By 1 January 1998, the rupiah's value had fallen to 30 percent of its June 1997 rate against the US dollar. The pre-crisis rate of IDR4,650 mounted to IDR10,375 for one US dollar (Adiningsih and Kadarusman, 2008) and peaked in June 1998 at IDR14,900 for one US dollar. This severely affected all the Indonesian economic pivots, including the batik industry, because most of the raw materials were still imported. The decline in the community's purchasing power meant that Lasem batik had no buyers at all. Yet none of the ethnic Chinese owner-managers formally closed their firms. They carried on trying to sustain the businesses that had been run by their families for generations. They had to reduce the number of workers, and unsold products were stockpiled in the belief that one day Lasem batik would sell well again. According to Lie Sio Lan, her mother stopped production and temporarily dismissed her workers. To meet the family's needs, Lie Sio Lan's mother tried to get loans by pawning her batik products to her acquaintances. Chinese Indonesian owner-managers who had business diversification could survive on income from their other ventures. Siem Djun Gwan's brass firm products at that time sold well, because imported products were expensive. Siem Djun Gwan remembered that his family's finances were heavily supported by the brass firm. Siem Djun Gwan's mother stopped her batik production until the price of raw materials became stable again.

Besides minimizing expenditure, Chinese Indonesian batik owner-managers said they accepted the condition, and were hoping for improvements. Following is Huang Tjaw Hien's experience in facing the critical period.

Huang Tjaw Hien felt the 1998 crisis was the most difficult period for his business. The exchange rate for the rupiah against the US dollar plummeted. All imported raw materials were priced in US dollars. During the crisis, the cost of raw materials was four times greater. In addition, the consumers' low purchasing power due to inflation caused his batik firm to stagger. Many of his competitors went bankrupt, and only 12 batik owner-managers in Lasem managed to hold on. Huang Tjaw Hien could only resign himself to this difficult

⁹⁶ The economic crisis was part of the Asian crisis that started with the fall of the Thai Bath and affected other Asian currencies, including the Indonesian rupiah that fell against the US dollar.

condition and pray for his business to survive, because he still had bank loans to settle. He did not have any other business diversification at that time; his family relied only on his batik business.

Huang Tjaw Hien tried to keep his firm running by dismissing his workers and stopping production temporarily to maintain his family's and firm's financial stability. He believed that God would make a way for his business to recover. In the meantime, the economy started to recover and demand for batik gradually increased. He added that the reduction of his former competitors from 140 to 12 gave him opportunities to build up his firm again. He was hoping for the time when the economic law of supply and demand would come into effect. With demand gradually increasing while supply was lacking, his business would make progress.

It was evident that in responding to the critical conditions, Chinese Indonesian business owners were still able to find some opportunities amidst the turmoil.

After the collapse of the New Order regime in 1998 with the forced stepping down of Soeharto after riots. The government programmes under Susilo Bambang Yudhoyono regime (2004-2014) encouraged the development of batik businesses by creating demand for batik after it gained legitimation from UNESCO in 2009. The government enforced civil servants, government owned enterprises (known as BUMN) employees, local government owned enterprises (known as BUMD) employees, and private employees to wear batik uniforms on at least one day every week. These government policies were very beneficial to Lasem batik owner-managers because they helped to create a market; especially at the time batik lasem became one of the favourites in the batik market in general.

Chinese Indonesian owner-managers responded to the high demand by increasing production capacity and increasing the numbers of workers, either outsourced or workshop. Participants also competed to increase sales by selling low-to-middle class products. Only Lie Sio Lan consistently providing upper class products. She did so to keep a share of this high-end market aimed at government officials and domestic or overseas batik collectors. She maintained her reputation for high quality batik with exclusive designs. Although her product reached overseas consumers, Lie Sio Lan was not able to export directly. Consumers bought either directly from Lie Sio Lan or from her intermediary agents. Siem Djun Gwan's response to the increased demand due to the government's policy was similar.

The government's intensive attempt to drive the growth of the Indonesian batik industry through different policies and programmes succeeded in increasing the demand for Lasem batik. Siem Djun Gwan had been aware of this since he became involved in his family's batik business in 2007. Moreover, the mass media actively broadcast batik reviews that helped to increase the demand. Siem Djun Gwan responded by increasing his production capacity. He immediately employed more workshop workers and increased the number of employees from 30 to around 50, and production increased from 150 to 500 pieces of batik cloth per month. This was done to anticipate the long production process. To increase production, he also employed outsourced workers with wages paid for each piece of cloth. The Rembulan batik firm had never employed outsourced labour before; consequently, the workshop workers were initially opposed to this. However, Siem Djun Gwan made them aware that their capacity was no longer able to meet the high demand, and increasing production was important to take the momentum in order to develop the firm that would impact on them. Then Siem Djun Gwan gave them an incentive by promising to continue giving priority to his workshop batik workers and to giving them the privilege of an outing together at the end of the year to some tourism destination such as Borobudur or Batu Malang. Initially, Siem Djun Gwan himself delivered the cloth to the outsource batik workers' homes and collected the completed cloth. However, once his workshop batik workers had a better understanding and accepted the presence of batik outsource workers, then Siem Djun Gwan did not need to go to outsource workers' homes. The outsource batik workers came freely to Siem Djun Gwan's workshop to collect raw cloth and return the finished drawn materials. The workshop batik workers were then happy to interact directly with the outsource batik workers after they recognised their contribution in providing batik cloth in the production process. To prevent conflict between the two parties, Siem Djun Gwan distinguished them based on their functions. Workshop batik workers were assigned to produce batik of finest quality or the so-called *batik alusan* to meet the demand from the upper class. Meanwhile, the outsource batik workers worked to make the middle-lower class products. This distinction was recognised in the wages Siem Djun Gwan paid.

The increasing demand had inspired Siem Djun Gwan to expand his target market. Before he focused on the upper-class products which were priced over IDR1,000,000⁹⁷ for a piece of batik cloth; later Siem Djun Gwan also catered to lower-middle class products for IDR150,000⁹⁸ to IDR1,000,000⁹⁹ per piece. This decision was made to respond to customers' demand for lower priced products. Siem Djun Gwan also responded to high market demand by actively taking part in exhibitions to reach potential buyers outside the

⁹⁷ It is equivalent to £71.973 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁹⁸ It is equivalent to £10.796 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

⁹⁹ It is equivalent to £71.973 with exchange rate £1 equal to IDR13,894 in 2010 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

town. Siem Djun Gwan's main target was Jakarta, since the Jakarta community was willing to pay for expensive hand-drawn batik products. Siem Djun Gwan produced only hand-drawn batik although, in 2008, he experimented in selling printed batik, which was textile with Lasem patterns printed by a printing firm in Solo. Even though the sale price of printed batik was as low as IDR20,000¹⁰⁰ to IDR50,000¹⁰¹ for ready-to-wear batik clothing, compared to hand-drawn batik cloth (not made into clothing) which cost as much as around IDR150,000¹⁰², his printed batik could not compete with his hand-drawn batik cloth. Thus, he stopped selling printed batik. According to Siem Djun Gwan, Lasem had a name for hand-drawn batik and this is what the customers were looking for, not the printed batik.

Siem Djun Gwan marketed his products in Lasem and major Javanese cities. He never directly exported his product overseas. Once Siem Djun Gwan received an offer from the BNI (Indonesian National Bank) to attend a free exhibition in Singapore, however, considering the accommodation cost and limited sales opportunities, he declined. He was unsure about the market in Singapore and he was not prepared to take the risk.

Rembulan batik was famous for its exclusive designs and elegant details. His mother is well known for her ability in drawing beautiful patterns and motifs. Therefore, members of the local government of Rembang regency often visit Rembulan batik, bringing their guests who are looking for special Lasem souvenirs. Its fame helped Siem Djun Gwan gain access to the government programmes. This gave him many advantages, such as receiving invitations to join exhibitions and training programmes, obtaining orders for uniforms and parcels, and getting new customers from the official guests who visited Lasem and wanted local souvenirs. Hence, Siem Djun Gwan was careful to maintain his relationship with the government.

President Susilo Bambang Yudhoyono's policies and programmes were successful in reviving the batik industry, particularly in Lasem, which had once been one of the big five¹⁰³ producing towns in the Dutch East Indies colonial period. The appropriate response of Chinese Indonesian owner-managers enabled them to expand their business. They became confident enough to promote themselves and maintain a good relationship with the government. This might be related to Presidential Decree No. 6 of 2000 by President Abdulrahman Wahid (in office from 1999–2001), which restored the civilian rights of

¹⁰⁰ It is equivalent to £1.265 with exchange rate £1 equal to IDR15,803 in 2008 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁰¹ It is equivalent to £3.164 with exchange rate £1 equal to IDR15,803 in 2008 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁰² It is equivalent to £9.492 with exchange rate £1 equal to IDR15,803 in 2008 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁰³ Lasem is among the core batik industrial centres in Indonesia, in addition to Pekalongan, Yogyakarta, Solo and Banyumas.

Indonesian citizens of Chinese descent. The former discriminatory practices against Indonesians of Chinese descent were reduced, and the local communities were encouraged to accept them as part of the Indonesian people. Chinese Indonesian owner-managers started to realize that they had the right to access government programmes. This can be seen, for example, by the establishment of the Lasem Batik Cooperative in 2008, the members of which were local batik owner-managers. Liang Tio San, as a Chinese descent producer, initiated this cooperative and later became its chairman, all participants were registered as members of the cooperative, but not all actively took part in the cooperative's activities. Some only joined to obtain information about government training and exhibitions that was usually given through the cooperative.

Another government programme that impacted positively on the growth of ethnic Chinese batik family firms was the Partnership and Environmental Care Programme (known as *PKBL*)¹⁰⁴, which offered low-interest credit through *BUMN*¹⁰⁵ (government owned enterprise). This programme resulted from a government policy that required BUMN to distribute the Corporate Social Responsibility fund to encourage the development of the national batik industry. Nearly all participants from the younger generation exploited the *PKBL* programme for batik business development, except Lie Sio Lan who did not join the programme because she did not have any assets that could be used as a guarantee. The *PKBL* was indeed extraordinary because, under the Old and New Order regimes, ethnic Chinese owner-managers could never access government programmes like this. It should be noted that participants over seventy years of age could not access this programme. The regulations specified that the applicant should be at maximum 60 years by the time the credit was repaid in full.

The *PKBL* programme was utilized by Chinese Indonesian owner-managers not merely for obtaining funds, it was an access to free exhibition facilities. Siem Djun Gwan commented:

“Yes, it is more for getting to the exhibitions. The exhibition is free, although the normal rent is quite expensive. In Jakarta, in 2010, it's up to IDR12 million¹⁰⁶. Besides, the stand has a more strategic position when given through the banks. It's located at the front. When renting the stand by ourselves, we would not get that position. The bank also helps direct the guests to us. I've become BNI's partner. Yesterday I was also asked to take part in an exhibition in Singapore.”

¹⁰⁴ *Program Kemitraan dan Bina Lingkungan PKBL*

¹⁰⁵ BUMN is *Badan Usaha Milik Negara*

¹⁰⁶ It is equivalent to £1.265 with exchange rate £1 equal to IDR13,894 in 2008 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

The *PKBL* programme offered loans at the low interest rate of 6% per annum, provided free guidance through training, helped to market the product using exhibition stand facilities outside the town for free, and provided accommodation refunds. The low-interest loan was to be settled within a period of one to three years.

The participants believed that their batik businesses had started to decline again since 2012–2013. In their opinion this happened after the central government launched a programme, intensively encouraging each region in Indonesia to make batik reflecting their own local characteristics. The emergence of batik industrial centres in several other parts of Indonesia contributed to the decreasing demand for Lasem batik. Liang Tio San commented:

“...the difference that has affected us the most is the fact that all those regions nowadays have their own batik centres. So our segment has gradually reduced.”

The government has also started to promote woven cloth as another typical Indonesian product, as Siem Djun Gwan related below:

“Since 2012 sales haven’t been as good as before, and became even worse in 2013. Batik cloth used to be easy to sell. The reason is.... previously, batik was considered to be something special. It was demanded for all occasions. Frankly speaking, the government has started to shift to woven cloth, so it won’t keep on encouraging batik sales. In 2007 and 2008 everyday batik was mentioned in the newspapers and mass media. Now there’s hardly any mention of it – besides more and more people have started to follow the trend, selling batik. So, also the number of batik sellers and owner-managers is growing.”

The increasing number of new owner-managers also contributed to decreasing batik sales. For this reason, several participants later started to reduce the amount of cloth entrusted to the outsource batik workers, while maintaining the stock that they kept in their cupboards.

5.9 Conclusion

This chapter describes how Chinese Indonesian owner-managers were able to develop and sustain their business through time and changing circumstances, despite the fact that this generational sustainability was often challenging. Nevertheless, despite the ups and downs of the firms, quite a few Chinese Indonesian family batik businesses were passed on through successive generations. This reflects their success in handling regeneration, ability to respond to disruption and maintain the firm in a competitive environment. This study

investigates ethnic Chinese family firm sustainability at the micro, meso and macro level.

At the micro level, there are several concerns that contribute to the sustainability of a Chinese Indonesian family firm, such as succession, unique resources possession, family involvement, harmonization of family life and business life, and family firm management issues.

Succession is crucial in determining an ethnic Chinese family firm's sustainability. In fact, the flexibility to designate a potential successor is the key to business succession and business success. Chinese Indonesian owner-managers no longer strictly adhere to the Chinese descent tradition, which gives priority to the oldest son to continue the business. The decline of a potential successor's interest in the batik business in a modern, diversified economic environment, coupled with the lure of opportunities in big cities, make him or her less interested in continuing the family batik firm. Therefore, Chinese Indonesian owner-managers made adjustments to the traditional business succession patterns. They perceived that the sustainability of a family batik business that had been operating for generations was more important than clinging to cultural traditions. They realized that the absence of successors might threaten the sustainability of the family batik business. On the other hand, a belated attempt in preparing succession is also potentially perilous to business sustainability. The regeneration occurs when parents are already very old and losing mobility, even sometimes terminally ill. This might potentially endanger the success of the succession process. The willingness of offspring to continue the business is another key success to business succession; failing to prepare will contribute to failure in succession.

At the micro level, there are four unique resources that are essential in a Chinese Indonesian batik family firm and their survival. Firstly, knowledge, in particular, knowing the colouring formula is the unique resource of a Chinese Indonesian batik family firm. This knowledge is obtained from predecessors through generations, whether from direct learning or indirect learning like a predecessor's recipe notebook. Ethnic Chinese owner-managers are highly aware of the importance of keeping colouring formulas secret. They only passed these on to selected family members, normally their children. Secondly, the batik worker is another resource that is also important in running a family batik business. Lack of skilled batik worker might potentially threaten business sustainability. Thirdly, family involvement is crucial when the business is growing, as the source of trust, such as

a spouse, sibling or children. Besides, ethnic Chinese owner-managers like to share wealth between family members by involving them in the business. For old Chinese Indonesian owner-managers, they involved family members to help them in marketing the product, especially at exhibitions and be a representative of the owner at activities in the community, such as a cooperative. This is largely due to the immobility of the old Chinese Indonesian owner-managers.

Next is the importance of a harmonized family life and business life. As a family firm, the family life and business life are intermingled and inseparable. Disruptions in the family life can impact on the firm's financial condition and either encourage or threaten business sustainability. Some events in the family can inadvertently negatively affect the family firm financially. For instance, family members' health issues, such as severe illness, serious accident or sudden death might drain the family financially. When disruptions cause financial need, they borrow money from relatives and former bosses, and utilize the PKBL programme. This might perilously threaten business sustainability. Other family events that might potentially impact on a family business financially is the education funding and wedding expenses of the children. In Indonesian culture, those are the responsibility of parents and require a lot of money. Notwithstanding, the family life dynamics also might have positive financial impacts on the firm. For instance, when children are working; they become a source of funding for the parent's batik firm, especially when the ethnic Chinese batik family firm is facing difficult conditions.

The involvement of family members in a Chinese Indonesian batik family firm could generate conflict between them that might escalate into a family conflict. This conflict not only threatens business sustainability but also the harmony of family life. Nonetheless, batik owner-managers still employ family members in the business because family are considered trust-worthy and will help them to avoid business risk. Further, they seem to be able to manage the conflict in the family so that it does not affect the business. If there were problems with one family member, a Chinese Indonesian owner-manager could easily select another family member who might be willing to join the firm.

There are some management issues that impact on the business sustainability of an ethnic Chinese batik family firm. Firstly, managing variety in products. Chinese Indonesian owner-managers tend to keep producing hand-drawn batik that has performed from generation to generation. They also persist in echoing their predecessor's product styles,

such as motifs and patterns, designs and colours. Secondly, Chinese Indonesian owner-managers do not merely target ethnic Chinese buyers, even though their product has been heavily present in Chinese culture, particularly the colours, motifs and patterns design. Nowadays, they are more likely to target all batik lovers to market their products. However, they use motifs and patterns that express their taste in relation to their ethnic background, whatever the dynamics of the circumstances. Because the design has successfully passed through generations and has the unique characteristics of Lasem batik, this helps them to sustain the Lasem batik business industry. Furthermore, the majority of ethnic Chinese owner-managers are making low-middle class products to reach more buyers. Few Chinese Indonesian owner-managers expand their market in order to exploit the opportunity of increasing market demand. Moreover, the majority of ethnic Chinese owner-managers target Jakarta as a potential market. These strategies are helping the Chinese Indonesian owner-managers in developing their businesses.

Thirdly, in pricing strategy, ethnic Chinese owner-managers are more likely to be flexible in deciding the price; however, they still calculate the production cost and consider what they want to achieve by asking the right price. Ethnic Chinese owner-managers could ask a different price for the same cloth depending on the buyer, the market demand for batik at that time and where they make the transaction, such as at an exhibition. Fourthly, in marketing the product, ethnic Chinese owner-managers use direct selling through in-house transactions and exhibitions, and rely on intermediaries such as resellers, middlemen and competitors in order to sustain the business.

At the meso level, there are three dynamics in the market and opportunity structure, namely the fashion trend, technology development and competitive environment that have impact on an ethnic Chinese family firm's sustainability. Fashion trend is a major issue in a batik business, increasing a demand for batik clothes when batik becomes fashionable. Chinese Indonesian owner-managers were enthusiastic in exploiting this opportunity to expand their product market. They readily adopted stamp tools to speed up the drawing process. Conversely, fashion trends could just as easily threaten business sustainability when batik is perceived as old fashioned, or not fashionable any longer. This could result in the demise of the family firm. However, it is interesting that Chinese Indonesian owner-managers are eager to keep their business going, even through periods of low demand. They show the gritty determination that the batik family firms have always displayed to preserve their businesses and retain their dignity. They have other sources of income to

support the family during that period.

The development of textile-printing technology is unavoidable. Mostly Chinese Indonesian batik owner-managers choose not to adopt machine technology for their production process. Machine-printed batik products potentially threaten the sustainability of Lasem batik family firms in general. However, they believed that hand-drawn batik is the particular characteristic of Lasem products that they have to preserve and have their own market (niche market).

The other crucial issue at the meso level is the competitive environment that impacts on business sustainability. Inability to determine a proper survival strategy might threaten business sustainability. Although ethnic Chinese owner-managers in Lasem batik industry already have a good position in the market, they have learned to be flexible to compete in a dynamic environment.

The tight competition caused difficulty in finding skilled batik workers, since the growth of batik firms was not coupled with an increasing number of skilled batik workers. The ethnic Chinese owner-managers employed several strategies to retain their batik workers in response to this challenge. For instance, increasing salary, treating batik workers well, giving bonuses, providing a more varied menu for lunch, facilitating a holiday tour with fellow-workers at the end of the year, providing a medical allowance for workshop batik workers, providing a soft loan scheme, opening a batik workshop in the batik workers' village and training villagers in drawing batik patterns on the cloth. Ethnic Chinese owner-managers were fully aware of the fact that their workers were vital to their business. Further, tight competition also stimulated an inevitable price competition among batik owner-managers. Ethnic Chinese owner-managers competed in lowering the price to help the business survive. However, production cost was taken into consideration. Chinese Indonesian owner-managers conducted other strategies in order to be sustainable in tight competition. For instance, maintaining product quality in such matters as the neatness of the motifs and designs, and colour durability.

The tense competition in the Lasem batik industry resulted in conflict between Lasem batik owner-managers. Ethnic Chinese owner-managers bravely expressed their disapproval of competitors' unethical practices that escalated the conflict. Some Chinese Indonesian owner-managers reacted to the conflict between competitors by not speaking to each other

or refusing to be active in the cooperative because they did not like the chairman.

At the macro level, there were several events that impacted on business sustainability. These related to economic and social dynamics that were often followed by public policy changes which could potentially either support or threaten business sustainability. Some public policies did facilitate ethnic Chinese owner-managers to develop their businesses. Firstly, the social stratification policy of the community during the Dutch occupation in the 19th century whereby the Dutch colonial government promoted privilege for ethnic Chinese owner-managers making it easy to import batik raw materials and export the finished batik products. This was coupled with a rising demand for batik clothes. Ethnic Chinese owner-managers exploited the opportunity to increase production capacity by increasing the number of batik workers and introducing stamp tools to make the production process quicker. Ethnic Chinese owner-managers also expanded their market by exporting batik clothes either directly, or indirectly through intermediaries, to Singapore, Malaysia, Hong Kong, Suriname, USA and Japan. They also expanded markets throughout the Indonesia archipelago.

Secondly, public policies made by the Susilo Bambang Yudhoyono regime (2004-2014) encouraged Indonesian batik businesses in general by increasing the market for batik. After Presidential Decree No. 6 of 2000 (under Abdulrahman Wahid regime) restored the civilian rights of citizens of Chinese descent, the ethnic Chinese owner-managers gained confidence in exercising their rights as citizens. Thus, when the government under Susilo Bambang Yudhoyono (2004-2014) launched development programmes for batik businesses, they responded by actively joining in training sessions and exhibitions conducted by the government. There were several policies introduced by the government that promote batik businesses, such as, Presidential Decree No 39 of 2009 which decreed a national batik day; Ministry of Domestic Affairs Regulation No 53 of 2009 followed by Regulation 68 of 2015 which required all civil servants throughout Indonesia to wear batik as their uniforms on certain days; and *PKBL* which offered low-interest credit through *BUMNs* (government owned enterprises). Ethnic Chinese owner-managers responded positively to these policies by increasing production capacity through increasing the number of batik workers, mainly producing low-medium products, maintaining a firm's reputation for quality batik and producing unique products, motifs, patterns and tasteful colours. Interestingly, ethnic Chinese owner-managers tend to be more open, eager to maintain a good relationship with the government and register in the cooperative batik

Lasem, which previously had been closed to them.

There were several external pressures that threatened ethnic Chinese family firm sustainability. Firstly, during the Japanese occupation (1942-1945), ethnic Chinese owner-managers closed their businesses because they were struggling to save their lives. They survived by living on their remaining profit. Secondly, the racially discriminatory conditions during the Old and New Order eras (1945-1998) caused ethnic Chinese owner-managers to become closed and individualistic; they kept their distance from the government. Under the fortress programme policy in the 1950s, ethnic Chinese batik family firms could barely compete with indigenous batik owner-managers who had access to that programme. They limited clothes production and avoided stockpiling ready-to-sell clothes due to low demand. This difficult condition reached its peak around 1959 until 1966 when the government published the promulgation of Government Regulation No. 10 of 1959. It was followed by the eradication of the Indonesian Communist Party in 1965/1966. Ethnic Chinese owner-managers chose to cease all elements of batik business activities during this period. Nonetheless, it was only temporary until conditions became stable again. Chinese Indonesian owner-managers tended to be submissive to discrimination treatments. They obeyed the policies such as, changing their Chinese business name into an Indonesian name. Although they were following the policies, they still put the stamped the product with their predecessor's batik brand using Chinese characters to keep the product's brand. At that time, demand was low. Ethnic Chinese owner-managers employed several strategies in order to keep their businesses sustainable, such as, approaching intermediaries outside Lasem and having other sources of income.

Another event at the macro level that impacted on business sustainability for Chinese Indonesian batik family firms was the monetary crisis in 1997, followed by the economic crisis in 1998. Chinese Indonesian batik owner-managers attempted to sustain their businesses by stopping production but not liquidating their business. They dismissed their workers, keeping a stock of cloth in storage as an investment, while awaiting the recovery of market demand. When batik eventually moved into a boom cycle, several Chinese Indonesian owner-managers obtained quick profits from the clothes they had stockpiled, because the batik production process took a long time, meanwhile the demand increased exponentially. To meet their daily needs in the critical period, ethnic Chinese batik owner-managers resorted to loans by pawning their batik products and relied on income through business diversification.

In conclusion, ethnic Chinese owner-managers' flexibility in responding to the various changes in the business environment enabled their businesses to survive in difficult times, and to develop whenever there was an opportunity. Their awareness of hand-drawn batik as their family legacy, and their determination to keep producing it, had a positive impact on the sustainability of these ethnic Chinese businesses. Their deeply felt belief in the batik business as a family tradition drove batik owner-managers to sustain their businesses through good times and bad times. Moreover, traditional batik as a commodity traded by Chinese Indonesian owner-managers has its own unique value. The traditional batik cloth became garments expressing the identity of the wearers and with the high quality of batik has filled a market niche that other fabrics could not.

Chapter 6 The Emergence of Javanese Family Firms in the Traditional Batik Industry of Lasem

6.1 Introduction

The involvement of the Javanese ethnic community in the Lasem batik industry started with their employment as batik workers for ethnic Chinese owner-managers. Even though they learned how to draw designs on batik cloth and had work experience in Chinese Indonesian batik firms, it was not easy for them to immediately become owner-managers. Limitations of capital and knowledge of the batik business, such as the colouring process and formulas, together with a lack of business management ability, hampered them. The emergence of Javanese owner-managers started after the New Order Government (1966-1998) issued Presidential Decree No 7 of 1979 as part of the third phase of the government's development plan. This facilitated employment opportunities in labour-intensive industries, such as the batik industry, through a business development programme which targeted the lower levels of society in particular.

When batik business-developing programmes conducted by the government became more accessible, the number of Javanese batik owner-managers who participated in the Lasem batik industry increased. In an interview with the chairman of Lasem Batik Cooperative, he said that in 2012 as many as 35 batik owner-managers were registered as members of the batik cooperative, comprising 14 Chinese Indonesian and 21 Javanese owner-managers. In 2014 the total membership increased significantly to about 70 owner-managers, with no increase in the number of ethnic Chinese owner-managers. Conversely, the Javanese owner-managers increased to 56 in total. The increased number of Javanese owner-managers showed the success of the government's batik business-development programme, which will be explained in detail in the following section. The village residents who used to be batik workers were now starting their own business. Ethnic Javanese villagers who were formerly snack sellers in the market, makeup beauticians, furniture owner-managers or housewives started to go into the batik business after observing their neighbours' successes.

The emergence of Javanese batik owner-managers in a sector that was dominated by ethnic Chinese owner-managers raises questions. How did the Javanese cope with the constraints

of transforming themselves into batik owner-managers, and how, as newcomers, did they respond to the changing circumstances of tight competition? These phenomena are examined through the perspective of embeddedness. By investigating the changes at each level and in context (micro, meso and macro levels), a comprehensive picture of business sustainability could be formed. At the macro level, this study explores the responses of Javanese owner-managers to disruptions evolving from political and economic dynamics. It begins by identifying who provides external support to assist the Javanese owner-managers to start-up their own businesses and how their roles have evolved. It then examines how they coped with the economic crisis. Meanwhile, at the micro level, it investigates the essential resources of Javanese owner-managers that determine business sustainability by considering the intermingling between the family and the firm. Lastly, at the meso level, it examines how Javanese owner-managers have responded to disruptions resulting from market dynamics; how they have responded to technological innovations in producing batik clothes; and how they have handled the tight competitive environment. Examining Javanese owner-managers' responses to the challenges will allow a better understanding as to how their businesses developed over time and the extent to which they are able to be sustainable. The characteristics of Javanese owner-managers' businesses will be discussed first.

6.2 General Characteristics of Javanese Family Firms

Javanese owner-managers' batik businesses were family firms, owned and managed by members of one family. Commonly, parents ran the business assisted by family members who lived with them in the same house, and batik workers who were employed to meet production needs. These workers were often their extended family or neighbours. Unlike ethnic Chinese batik family firms, Javanese batik family firms had not inherited the business from their predecessors. Nearly all participants belonged to a first generation of owner-managers, who had pioneered their own batik businesses as owners and managers. Only one participant had received a business legacy from her partner, who was a Chinese Indonesian producer in Lasem.

The initial involvement of the Javanese ethnic community as batik owner-managers in the Lasem batik industry began during the New Order Government in the 1980s and flourished around 2005 when the batik business was booming. Two of the nine participants, Kasmini and Fahri, had started their business during the New Order Government era by joining a batik group in their village, which was formed by the village head of the Neighbourhood

Association as part of the New Order Government programme. However, only Fahri, together with his wife, was still running the business at the time of this research. Kasmini no longer ran her own business, but provided daily help in her daughter's batik business, Meranti Baru Batik. Kasmini's batik business closed in 1998 as a result of the monetary crisis. Meanwhile, her daughter, Indriyati, started up her own batik business in 2008. She had not received any legacy of tangible resources related to the batik business from her mother, except the knowledge of drawing batik designs on the cloth. Indriyati had been a batik worker in an ethnic Chinese batik firm.

Women played a dominant role in the Javanese batik firms as owners and managers. These women were former batik workers employed by ethnic Chinese owner-managers. Of the nine participants, only three were male, Jasmari, Rusmanto and Fahri. It is very likely that women predominated because they possessed the intangible capital of batik drawing skills and knowledge of motifs and designs. Women have historically played a core role in drawing batik, this was and is seen as a 'female' craft (the passion, patience, diligence and neatness, are traditionally seen as female Javanese qualities). At the same time, batik can be done 'at home' allowing women to work and take care of children and household duties as well. So in fact it offers them employment and income earning opportunities. This encouraged them to transform themselves into batik owner-managers.

All male participants involved their wives in production activities while, conversely, not all female participants actively involved their husbands. Their husbands had their own businesses, for example, Sulastri's husband ran a small store, Kasmini's husband worked as a truck driver, Indriyati's husband was employed in a private plantation and Rukmana's husband was engaged in farming. Only Mardiyana sometimes involved her husband actively in the production activities. He was a wholesale mango buyer, therefore he only worked once a year during the mango season.

Women Javanese batik owner-managers displayed confidence in presenting themselves and acknowledging that the business belonged to them. They actively sought opportunities: taking part in exhibitions, looking for resellers and potential out-of-town customers and joining the activities of organisations such as batik cooperatives and clusters. Nearly all female participants seemed completely independent in running their business; however, their husbands served as sources of information obtained through their extensive social networks. For example, they could hear about the announcement from the Regent of

Rembang requiring civil servants to use Lasem batik for uniforms, the plan for making a batik village in Lasem and the agenda of the Lasem batik festival. Husbands had more time to spend socializing than their wives, as women had to perform household tasks as well as running their business.

Where the husbands were the business owners, their wives also played an active role in the batik business when they had spare time after taking care of the household. Rusmanto's, Jasmari's and Fahri's wives did this by undertaking production tasks such as drawing batik designs on cloth that required patience, attention to detail, perseverance, and tidiness, qualities traditionally seen as belonging to women.

Javanese batik businesses were informal. They had not obtained an Individual Business License (known as *SIUP*¹⁰⁷) nor a Tax Payer Registration Number (known as *NPWP*¹⁰⁸). Their reason for not arranging for *SIUP* and *NPWP* was that they felt their small-scale home industry did not need such legality and they did not want to be burdened with taxes due to their small income. One participant, Rukmana, said:

“....Yes, I don't want to pay any taxes whatsoever. My income is still very limited, it's not every day I can sell cloth. Then how could I pay for my daily need? My business is still on a very small scale, so it does not have to be registered... what for? It would be quite complicated.”

The participants were reluctant to formalize their businesses, and could see no advantages in doing this. However, many of the participants did, in fact, have bookkeeping accounts for their businesses, including Indriyati, Rusmanto, Jasmari, Sulastri, Rukmana, and Mardiyana. They had learned through training conducted by government and non-government programmes.

Javanese owner-managers usually employed their neighbours and extended family member as batik workers. Almost all Javanese owner-managers lived in a small village, which had a strong kinship family relationship. Therefore, Javanese owner-managers had close ties to their workers. Familial relationship presented as the foundation of the relationship between Javanese owner-managers and batik workers. They mainly employed outsource batik workers who worked in their own home. Only a few Javanese owner-managers employed workshop batik workers, such as *KUB* Kunthi who employed a group of workers who

¹⁰⁷ *Surat Ijin Usaha Perdagangan(SIUP)*

¹⁰⁸ *Nomor Pokok Wajib Pajak (NPWP)*

joined together to form the batik business. Suprapti also employed workshop batik workers, continuing her partner's business practices.

The outsource batik worker is paid for piecework (known as the *borongan* system), while the workshop batik worker receives a daily wage. All workers are female. Most Javanese batik owner-managers employed outsource batik workers. Having limited financial capital, this helped them to control their financial resources. They could outsource work when required, instead of paying daily expenses for batik workers. Because the Javanese owner-managers often had a family relationship with the outsource batik workers, and lived in the same area, they entrusted the workers with plain clothes to be drawn at home. The outsource batik worker was usually paid in advance meaning it could be risky to entrust plain clothes with an unknown batik worker.

How the Javanese owner-managers determined daily wages for outsource batik workers depended on the tasks, such as *nglengkrengr*, *nerusi* or *nembok*. They paid IDR2,500¹⁰⁹ for *nerusi*, IDR4,000¹¹⁰ for *nembok* and IDR5,000¹¹¹ for *nglengkrengr* for each piece of cloth. The daily wage for a workshop batik worker in 2014 was around IDR21,000¹¹² to IDR27,000¹¹³, depending on their skill and ability, their neatness and the length of time employed by the firm.

The newly-emerged Javanese batik owner-managers in Lasem relied on external support to facilitate their start-up and to manage their own independent businesses. The importance of the provision of external support to the start-up and development phases of Javanese batik businesses will be discussed in the next section.

6.3 External Support

There were two phases in the emergence of Javanese owner-managers in the Lasem batik industry. The first phase was during the New Order Government era (1966-1998) around the 1980s, and the second phase occurred in the period of the Reformation government

¹⁰⁹ It is equivalent to £0.129 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹¹⁰ It is equivalent to £0.206 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹¹¹ It is equivalent to £0.258 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹¹² It is equivalent to £1.084 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹¹³ It is equivalent to £1.394 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

(1998 – today) after 2005. The development of these Javanese owner-managers occurred when they received support either from the government or non-government institutions. Almost all participants starting their own batik business had external help. Only one participant, Suprapti, did not have external support when she entered the batik business because she continued her husband's business.

External parties who played roles in the process of transforming batik workers into batik owner-managers are summed up in the following table.

Table 6.1 Participants' External Support

		Suprapti	Kasmini	Fahri	Indriyati	Sulastri	Jasmari	Rusmanto	Rukmana	Mardiyana
Government	Ministry of Trade, Republic of Indonesia			X		X	X	X		
	Ministry of Cooperation and SMEs of Republic Indonesia		X	X	X	X	X	X		
	Ministry of Tourism and Creative Economy					X	X	X		
	Ministry of Youth and Sports Affairs					X	X	X		
	Government Owned Enterprise				X	X	X	X		X
	Local National Craft Board			X	X	X		X		
	IPI ¹¹⁴ NGO								X	X
Non-Government	Volunteer Chinese Indonesian owner-managers		X		X	X		X		

Both the central and local governments played an important role in the participants' process of transforming themselves into batik owner-managers. The central government

¹¹⁴ Indonesian Pluralism Institute (IPI)

operated a programme which provided aid in the production process, marketing promotion and market creation. Support included production and management training, grant funding, free exhibition stands and marketing assistance. The development programme for this community started during the New Order Government era under the third Five Year Development Plan programme (known as *Repelita*) which aimed to increase job opportunities in labour-intensive industries. The programme was implemented through the Ministry of Cooperation and Small Medium Enterprise of the Republic of Indonesia. The batik industry was considered to be labour-intensive, therefore an aid programme was created to develop batik business groups through the village heads. According to Kasmini and Fahri, the aid programme incorporated different kinds of training, including making batik patterns up to colouring and providing working capital in the form of equipment, raw materials, and financial capital. Kasmini related her experience as follows:

In 1987, her younger sister, Juriyah, asked Kasmini to join the Meranti batik group. Juriyah was the wife of an RT (Neighbourhood Association) in Selopuro village which received government aid through the office of Rembang Regency Cooperative to develop batik businesses for a group of batik workers in the village. The government chose Selopuro village because most female villagers in Selopuro village were batik workers. Kasmini agreed to join the Meranti batik group even though she had run her own batik business. The group received aid from the Government in the form of equipment, training, raw materials and finance. Through Meranti batik group, Kasmini learned the colouring process; however, her sister, Juriyah kept the formula secret. No other group members knew the colouring formula. Only Juriyah, as the chairperson representing her group, received colouring training. Fahri, Juriyah's relative also, joined the Meranti batik group; but he was more fortunate. He obtained the colouring formula from Juriyah and he had learned the proper colouring process through working in an ethnic Chinese batik family firm.

The local government of Rembang Regency regularly offered batik owner-managers the opportunity to take part in exhibitions free of charge. One of the participants, Fahri, often used exhibition stands without charge from 2005 until 2010. However, after that he had to pay the rent for the stand himself, as many new owner-managers were emerging and the government started to shift its aid to the new batik owner-managers. Fahri's account of his experience is detailed below:

"From 2000 until 2010s, I normally got exhibition facilities from the local government. But now I can say I am independent. Since 2010 until now I've been on my own, already doing things by myself. In the past, when there were only a few owner-managers, it was the government who sponsored me, who bore the cost of the exhibition. Now there are a lot of owner-managers, so the government gives aid to the new owner-managers."

The government's intensive programmes to boost the batik industry encouraged batik workers who had been working for Chinese Indonesian owner-managers to become batik owner-managers. Even village officials started exploiting the new opportunities to become batik owner-managers, as they were among the first, due to their function, to gain access to the information about the government programmes. The participants' motivation to start their batik business is summed up in the following table.

Table 6.2 The Motivation of Javanese Batik Owner-managers to Start Their Own Batik Business

Name	Age (in 2016)	New business	Take -over	Year	Motivation
Kasmini	62	√		1973	Increase the family income
Fahri	54	√		1987	<ul style="list-style-type: none"> • Earn income to meet daily needs. • Obtained training from the government through Meranti Batik business group
Suprapti	62		√	2007	Continued batik business from Tan Go Liang (Chinese Indonesian owner-manager), her partner, who had died
Indriyati	40	√		2008	<ul style="list-style-type: none"> • Help her husband to meet family needs as her children had grown up • Noticed other people successfully running batik businesses due to demand for batik • The government provided training, particularly in colouring
Rusmanto	45	√		2008	<ul style="list-style-type: none"> • Batik business was his only opportunity to meet daily needs after his failure to be re-elected as village head • Utilized the resources obtained from the training programme when still serving as head of the village • Took advantage of his ability to get access to government programmes for working capital
Sulastrri	41	√		2009	<ul style="list-style-type: none"> • To enhance her welfare • Noticed that the government gave much support in the form of training, provision of exhibition stands without charge
Mardiyana	39	√		2010	<ul style="list-style-type: none"> • Family needs increased when her oldest daughter started higher education in Yogyakarta city • Wanted to be independent, detached from the Kunthi Business Group • Wanted more freedom to express herself in patterns and colour choice • Wanted to set her own prices rather than go on being a batik worker

Jasmari	44	√		2011	<ul style="list-style-type: none"> • Took advantage of the government programme in developing Lasem batik • As head of Krajan sub-village, wanted to empower women in his village who were former batik workers • Wanted to preserve typical <i>kawung ece</i> batik motif in his village • Eager to be independent
Rukmana	51	√		2013	<ul style="list-style-type: none"> • Start their own business to enhance family income • Noticed Mardiyana's success in starting her own business and felt able to do similar things

This shows that economic motivation was the prime driver for Javanese batik workers to start their own batik firm.

The government's programmes were administered through the Ministry of Trade, Republic of Indonesia; Ministry of Cooperation and Small and Medium Enterprises of the Republic Indonesia; and Ministry of Youth and Sports Affairs. The programmes were given in the form of free training, grant funding, free marketing assistance and free exhibition stalls, including accommodation and transportation. At the local level, aid was administered either through the Lasem Batik Cooperative or the Lasem Batik Cluster. When there were not enough opportunities for all members, lots would be drawn. Following is Jasmari's account of his experience of using a free exhibition stand from the Ministry of Trade, Republic of Indonesia.

"From Rembang Office of Industry, the Lasem Batik Cooperative was allocated exhibition stalls without charge in Solo for three owner-managers. Three owner-managers were chosen by drawing lots. That time 30 people came to a meeting in the Cooperative, and the pieces of paper were then properly shaken. I win the lots and get free exhibition stall. Then I went to take part in the exhibition in Donohudhan Haj Residence Hall in Solo when the Asian Paralympic Games were being held."

Jasmari often obtained exhibition stands free of charge: three times from the Ministry of Youth and Sports Affairs and Ministry of Tourism and Creative Economy; more than five times from the Ministry of Trade, Republic of Indonesia and Ministry of Cooperation and Small and Medium Enterprises of the Republic of Indonesia. He was not only lucky in winning the drawing of lots for free exhibition stalls, but also benefited from his close relationships with a government officer. Initially he developed business acquaintance with

the government official, but as time went on, the relationship became more familiar and personal, which provided an opportunity for him in getting access to government programs.

“First, familiarity matters, because we are still small owner-managers and have to be nurtured. So, owner-managers doing small-scale business like me can get free exhibition facilities from government. On 5 December 2014, I got a chance to join exhibitions at Simpang Lima mall in Semarang during the Indonesian Film Festival. Thank God, I was given exhibition facilities.”

Close relations with civil servants of the Ministry of Youth and Sports Affairs at provincial level provided an opportunity for Jasmari to get colouring training in Pekalongan twice. He related his experience as follows:

“I’m well acquainted with a civil servant working in the Department of Tourism, who I met at the Tourism Awareness Group (*Kelompok Sadar Wisata* or *Pokdarwis*) competition, where I became the first winner. I got to know Ministry of Youth and Sports Affairs officer, namely Ms Martini. I have good relationship with her. Then, I asked her to invite me when there is any training. And I got the opportunities to attending training in batik colouring process, even twice.”

In addition, Sulastri stated that her close relationship with a government officer gave her access to opportunities, such as free training, free exhibition stands and assistance in marketing. Sulastri’s government officer contact often took her products to be marketed in domestic or overseas exhibitions and her batik products had been displayed at an exhibition in Canada. Sulastri was often appointed by a government officer as a tutor to deliver training in the batik making processes. She was asked by the Ministry of Cooperation and Small and Medium Enterprises of the Republic Indonesia of Blora Regency to provide batik training. Becoming a batik tutor enriched her network, particularly with the government officer who provided her access to government batik programmes.

The other programme delivered by the Ministry of Tourism and Creative Economy and Ministry of Youth and Sports Affairs included competitions for the Tourism Awareness Group. This group comprises people involved in tourism who support the welfare of the community. As prizes, grants were provided through the Tourism Independent Programme of National Community Empowerment ¹¹⁵, which promotes welfare and creates job

¹¹⁵ Known as *Program Nasional Pemberdayaan Masyarakat (PNPM) Mandiri Pariwisata*

opportunities for poor communities to become more independent through the tourism industry. The President of the Republic of Indonesia first launched this programme in 2007.¹¹⁶ The grant funding was managed by Tourism Awareness Group members to develop the village community. Jasmari, who won grant funding from the Tourism Independent programme of National Community Empowerment, experienced this. He used the funding to develop batik production activities in Babagan village by recruiting village women who were willing to become batik workers because Babagan villagers used to be batik workers when the batik business flourished under the Dutch Colonial government in the 19th century.

In addition to these government bodies, other institutions also aided the Javanese owner-managers' transformation process. These included the National Handcrafts Board¹¹⁷, government owned enterprises, non-government organisations (NGOs) and Chinese Indonesian Batik Owner-managers. These bodies provided aid in the form of working capital, training, free exhibition stands and marketing assistance. The role of each association is discussed below.

Firstly, the National Handcrafts Board is a government established, non-profit community institution that supports and observes the cultural and arts. Its activities comprise nurturing, developing, sustaining and promoting the nation's cultural legacy, namely the crafts that have grown and developed in different areas of Indonesia. Each regency or town throughout Indonesia has its own Regional National Handcrafts Board called *Dekranasda*, headed by the regent's or the mayor's wife. This organisation helped in the process of transforming batik workers into batik owner-managers. Rusmanto was one participant who benefitted from free exhibition facilities and obtained aid five times. Similarly, Sulastri was given a free exhibition stand from the *Dekranasda* in Lasem. Indriyati had been able to sell her batik products on consignment in the *Dekranas* exhibition hall in Semarang, where the selling price was determined by the *Dekranas*.

Secondly, Government Owned Enterprise (known as *BUMN*)¹¹⁸ is a business unit belonging to the government. For this reason, the government required *BUMN* to provide the Partnership and Environmental Care Programme (known as *PKBL*)¹¹⁹ as a form of

¹¹⁶ Source: <http://www.tnp2k.go.id/id/tanyajawab/klusterii/kelompokprogramberbasispemberdayaanmasyarak at-programnasional-pemberdayaanmasyarakat-papan-mandiri/> accessed on 28 November 2016.

¹¹⁷ Dewan Kerajinan Nasional or *Dekranas*

¹¹⁸ *BUMN* is *Badan Usaha Milik Negara*

¹¹⁹ *PKBL* is *Program Kemitraan dan Bina Lingkungan*

BUMN's Corporate Social Responsibility (CSR for short). This was determined in the regulations of *BUMN* state Minister Number *Per – 05/MBU/2007* about *BUMN*'s Programme of Partnership with Small Enterprises and Environmental Care Programme. *PKBL* programmes offered a very low interest rate of 6% per annum, with maximum loans of IDR75 million¹²⁰ repayable within a maximum of three years. This programme helped Javanese owner-managers to access loans using flexible collateral assets. Rusmanto, among others, borrowed IDR20 million¹²¹ with only his motorbike certificate of ownership (valued at IDR7 million¹²²) as collateral for the loan. This programme was normally provided to groups of five owner-managers. *BUMNs* that provided the *PKBL* funds for batik owner-managers were the Mandiri Bank, Indonesian National Bank (*BNI*) and Bank of Republic Indonesia (*BRI*), health insurance (*ASKES*) and Indonesia Integrated Security Printing and System (called *PERURI*). Most participants took advantage of the *PKBL* programme within one to four years after the establishment of their batik businesses.

Besides offering business loans, *PKBL* offered participants free exhibition stands as well as transportation and accommodation costs during the exhibition. Jasmari was given a free exhibition stand from the *BRI* bank for five days at Patra Jasa Hotel, Semarang, on the occasion of a Congress organized by the Association of Indonesian Women Entrepreneurs. Rusmanto obtained an exhibition stand from Mandiri Bank at the Jakarta Convention Centre for five days. He felt very fortunate because if he had been required to pay it would have cost IDR15 million¹²³. Furthermore, the location of the stand was strategic, because the area was specifically allocated for sponsors. Rusmanto was also given IDR4 million to reimburse his transportation, meal and accommodation costs during the exhibition. He was able to attend batik training in Solo, and then join a comparative study tour in Japan. These opportunities came from *PERURI* after he applied for a loan of IDR 30 million¹²⁴ from the *PKBL* programme. Rusmanto easily accessed the *PKBL* programme since he has wider networks. As a head of a batik cluster, he was known within society and many people came to him when they needed information about the Lasem batik industry. Therefore, his wider networks provided him greater opportunity. As the head of a batik cluster he was frequently contacted by the institutional bodies running the programmes related to

¹²⁰ It is equivalent to £3,871.967 with exchange rate £1 equal to IDR 9,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹²¹ It is equivalent to £1,032.525 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹²² It is equivalent to £361.384 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹²³ It is equivalent to £774.394 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹²⁴ It is equivalent to £1,548.787 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

developing the batik industry and they offered opportunities to the cluster members to participate in their programmes. However, he took the opportunities for himself, if he were interested, and initially shared with his close relatives, before offering the opportunities to batik cluster members.

Besides being able to take part in exhibitions, training, and comparative study, after joining the *PKBL* programme with the Indonesian National Bank (*BNI*) by forming a joint enterprise group, named *KUB*¹²⁵ Sri Ratu, Sulastri made an agreement with *BNI* to rent one of her properties in Babagan village and rebuild it as a batik showroom. Sulastri not only enjoyed the rental income but also could sell her batik products in this shop. At the end of the rental period, she obtained the building valued at IDR300 million¹²⁶.

Thirdly, an NGO named the Indonesian Pluralism Institute (IPI) played an important role in the process of transforming batik workers into owner-managers. IPI's programme was limited to a group of ex-batik labourers who had chosen to be trained as entrepreneurs. Two participants became beneficiaries of IPI's aid, Rukmana and Mardiyana. This institute is a non-profit organisation that had researched the Lasem batik revitalization since 2004. Based on that research, a joint enterprise group, known as *KUB* Kunthi, was formed which appointed former batik workers with experience in working in ethnic Chinese batik firms as its members.

IPI appointed Rukmana as head of *KUB* Kunthi and asked her to look for batik workers who were willing to become group members. Based on an interview with Wang Shen Ren, the director of the Indonesian Institute of Pluralism, IPI provided aid and advocacy to create batik owner-managers and promote women's well-being in Jeruk village. He realized the importance of IPI in facilitating the success of the community empowerment programme through *KUB* Kunthi. IPI gave support and advocacy intensively from 2006 until 2010. The support was in the form of training that included batik work, colouring with chemicals as well as natural substances, design, business management, organisation, marketing and book keeping. Rukmana and Mardiyana attended training given directly by experts. For example, for colouring, Rukmana and Mardiyana were sent to Pekalongan¹²⁷

¹²⁵ *Kelompok Usaha Bersama (KUB)*

¹²⁶ It is equivalent to £15,487.868 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹²⁷ Pekalongan is a city in Central Java Island in Indonesia well known as a centre for batik in Indonesia.

to learn the process of chemical colouring, and to Imogiri¹²⁸ to learn natural colouring. IPI also invited a designer directly from Jakarta to give training at *KUB Kunthi*. For this reason, Rukmana then felt that she no longer needed to join any training organized by the government. Aside from training, IPI also provided marketing assistance. Through one of its members, Ms Yola, IPI helped to market *KUB Kunthi*'s products in Jakarta. As stock became available, Mardiyana would send it to Jakarta. When each batik piece was sold, Ms Yola would send the money. When there was an exhibition, IPI NGO would invite *KUB Kunthi* to participate.

In addition, IPI NGO's aid included initial working capital, such as tools and equipment for batik work, construction of a workshop and a well valued at IDR10 million¹²⁹, 65 pieces of unbleached plain cloth 2.5 m X 1.1 m, 500 kg of wax, and wages of up to IDR3 million¹³⁰ per month until *KUB Kunthi* had earned income from the batik sold. Rukmana said that when there was not enough money to pay the workers' wages and her batik stock had not been sold, she would ask IPI for the cash needed. In addition, according to Rukmana and Mardiyana, IPI staff accompanied them to meet the supplier of batik raw materials in Solo, enabling them to get supplies at lower prices. The comprehensive support given by IPI made Rukmana feel that she did not need to join the cooperative, as everything was provided by IPI. Actually, Rukmana followed the advice of IPI to not join the cooperation. However, it later became known that there was conflict between the head of IPI and the head of the cooperative. This intensive advocacy programme formally came to an end in 2011; however, support in the form of product marketing assistance in Jakarta and advice continued informally.

Fourthly, external support came from ethnic Chinese owner-managers when the participants were trying to start their batik businesses although Chinese Indonesian owner-managers were not intentionally helping batik workers to start their own business. One Chinese Indonesian producer (Jie Kio) gave Kasmini the opportunity to buy unbleached plain cloth, wax and colouring materials. She was lucky, because, at that time, Chinese Indonesian owner-managers had a very closed attitude, and none was willing to help in either colouring or providing batik materials. With Jie Kio's help, Kasmini was able to produce batik cloth to sell by herself, although only on a very small scale because her

¹²⁸ Imogiri is a village in Yogyakarta, on Java Island in Indonesia, which had been a source of batik workers when Yogyakarta batik was flourishing.

¹²⁹ It is equivalent to £565.067 with exchange rate £1 equal to IDR17,697 in 2006 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹³⁰ It is equivalent to £169.520 with exchange rate £1 equal to IDR17,697 in 2006 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

capital was limited. As a former batik worker for Jie Kio, Kasmini's privileged relationship allowed her to buy the raw materials for drawing batik, such as plain cloth and wax, and take her clothes to be coloured.

Another producer who assisted some participants in starting their business was Lie Sio Lan's mother, owner of Merah Delima. Lie Sio Lan's mother was encouraged to provide batik training, without charge, to village residents and schools that were willing to include batik as an extracurricular activity. This was done to encourage more of the younger generation to become batik workers, because young villagers were reluctant to do this work. The resultant shortage of batik workers was critical to her business, because batik production is time consuming. Rusmanto and Sulastri appreciated Lie Sio Lan's mother's movement in providing free training in drawing batik. Lie Sio Lan's mother was active in revitalizing Lasem batik in collaboration with the government. Indriyati was one participant who was helped by Lie Sio Lan's mother to obtain information that helped her to access training in the colouring process conducted by the government.

6.4 Transfer of Knowledge

Participants learned about different aspects of the batik business from a wide variety of sources. For example, Mardiyana learned from her grandmother, her former work place, the government and IPI NGO. To provide a more comprehensive picture, the participants' sources of knowledge are presented in the following table.

Table 6 3 Sources of Business Knowledge for Javanese Batik Owners-managers

	Mother	Grand mother	Govt.	BUMN	IPI NGO	Chinese Indonesian owner-managers		
						Husband	Workplace	Initiator of batik revitalization
Suprapti	X					X		
Kasmini	X		X					
Fahri	X		X				X	
Indriyati	X	X	X					
Sulastri	X	X	X	X			X	X
Jasmari			X	X				
Rusmanto			X	X				X
Rukmana	X				X		X	
Mardiyana		X	X		X		X	

Most participants came from batik workers' families and had experience working in

Chinese Indonesian batik family firms. They learned about patterns and design motifs, and combining colours, through their daily activities. Participants from batik workers' families inherited intangible assets such as how to draw on the cloth from their parents through involvement in batik making from an early age. Their parents often brought home the plain cloth to be drawn to increase family income. They were paid according to the number of pieces of cloth they completed, and they normally mobilized all family members to help finish the work. This created the opportunity for learning.

Children gained explicit or tacit knowledge from their parents through experience and observation. The mother would draw on the cloth using a *canting* (a pen-like tool), while the child listened and observed. Rukmana commented:

“In the past, my mother became a batik worker in a Chinese Indonesian batik firm. My mom often brought the cloth home to work on it. Although I was still very little, I often watched and tried to do what I saw from her. In the end I got used to it. So, when the completed batik cloth was taken back to the Chinese Indonesian producer, I was given some money. How happy I was, as I was just a little girl then. Sometimes the Chinese Indonesian producer gave me a cake. Not bad, I could help my parents.”

Some participants learned from their grandmothers. Mardiyana was one of these. Her grandmother was an outsource batik worker. Meanwhile, Mardiyana's mother worked every day in a Chinese Indonesian producer's workshop in Lasem. Mardiyana sometimes accompanied her mother to her work place.

“It took me a long time to learn from grandma. I enjoyed helping since the fourth grade of primary school, but only for the easiest parts. I still couldn't do large patterns. Grandma did this. I just did the little things. Sometimes, on Sundays when I didn't have to go to school, I accompanied my mom when she went to work in Lasem. She went there almost every day. She was paid based on how much cloth she completed.”

Consequently, knowledge transfer of between generations happened when children became involved in the older generation's economic activities.

Transfer of knowledge occurred not only from older generations in the family, but also from the ethnic Chinese batik owner-managers who employed them. Rukmana was one of these.

“Yes, in the past when I was working, of course I also had to be able to differentiate the motifs. This is *sekar jagad*. This is *gunung ringgi*. I learnt from my boss who explained to

the buyer about the name of the motifs when he explained to the buyers names of his products.”

Aside from knowledge about patterns, some participants also learned how to do pattern duplication effectively and efficiently. Mardiyana had formerly worked for Rembulan batik and she remembered:

“For a long time, I’ve been used to making Lasem patterns, so I’ve become familiar with them. The Chinese Indonesian owner-managers I worked for provided all the patterns, large and small. They provided a ready-made batik cloth as an example, and then I was asked to make one like that. So, I did not use a pencil, I just duplicated the pattern by putting the master cloth under the one where a duplication would be made.”

Participants also learned how to combine patterns because Chinese Indonesian owner-managers instructed their workers in pattern arrangements.

Experience in a Chinese Indonesian batik family firm provided participants with opportunities to become familiar with different kinds of patterns and also to practice their skill in drawing. The participating workers would put the master cloth or pattern sample under the plain cloth on which drawings would be made. Wax would then be applied using a *canting* following the lines that were dimly seen. Through this continuous daily practice, the participants improved their drawing skills, until eventually they no longer needed a master pattern. The designs had been clearly imprinted in their minds and only had to be poured out on the cloth. Chinese Indonesian owner-managers only had to tell them the name of a particular pattern and where it should be placed. The duplicating process was usually reserved for new patterns or for inexperienced batik workers who were still learning.

Consequently, Chinese Indonesian batik family firms became business incubators for Javanese owner-managers who were formerly batik workers. Fahri learned about the colouring process when working for a Chinese Indonesian batik producer. However, he could not do the colouring process by himself, as the colouring substances were always premixed and measured out in separate plastic bags by the Chinese Indonesian owner-managers. Fahri just applied them in the colouring process. This made it difficult for the participants to imitate the colours produced by ethnic Chinese batik owners.

Participants who had no experience working for ethnic Chinese owner-managers and did not come from batik making families learned through the training programmes organized by the government. These participants included Rusmanto, the former head of Pohlandak

village, Pancur district, and Jasmari, the head of Krajan village, Lasem district. As village level government officials, they could access training programmes conducted by the local government, because they were information channels for the government programmes. Merely attending the training sessions was not enough for Rusmanto and Jasmari to gain a full understanding of batik, since this takes more than one or two months. Moreover, they had no experience in the complicated processes of the batik business. Rusmanto and Jasmari expanded their knowledge by learning from batik outsource workers and local residents who had participated in the training programme.

The training programmes conducted by the government also enriched the knowledge of participants who came from batik workers' families and had experience working in ethnic Chinese batik family firms. This training taught them the new skills that were important for starting a batik business.

Knowledge did not come only from the government's training programmes. Some participants also learned through training organized by non-government institutions, such as an IPI NGO. Some were also helped by a Chinese Indonesian producer, who provided free training in batik work. Rusmanto recalled this and explained that, when he became the head of Pohlandak village in 2006, Lie Sio Lan's mother asked him to be the coordinator for his village residents who were willing to do batik work. He said that Lie Sio Lan's mother found it difficult to get batik workers. Rusmanto noticed that, at that time, only the older generation in the village still did batik work. The younger generation showed little interest, as they preferred to work in factories or shops for better wages. Lie Sio Lan's mother's training generated several new outsource batik workers. Sulastri also learned from Lie Sio Lan's mother.

"I used to be a batik worker. Then the Local Government of Rembang was active in helping us, the grassroots community, to have better income. Batik training was organized for us. Batik training was given through the Mandiri *PNPM*. Twenty people from one neighbourhood were taken to be trained in batik work in Lie Sio Lan's mother's house. She taught us the whole batik process from drawing patterns on a piece of batik cloth up to colouring; however, she did not tell the formula. She already passed away before our training was completed, in the early of 2010s if I'm not mistaken. Then finally her colleague, Mr. Rusmanto, taught us. He's my cousin."

In another case, Suprapti learned not only from her parents but also from her partner, Tan Go Liang was a Chinese Indonesian batik producer. From her mother, she learnt batik

making skills. However, from Tan Go Liang she learned about business management, such as managing the workers, finance management and the colouring process. She used to be one of the batik workers of Tan Go Liang, until later she became his mistress. After he passed away, she was the only heir to Tan Go Liang's batik firm, as he did not have a wife or children.

6.5 Limited Financial Capital

One of the major impediments for the Javanese batik owner-managers in starting and developing their business was limited financial capital. Rukmana related,

“At first, I was wondering whether it would be possible for me to become a producer, as becoming a producer required a lot of capital. I needed capital before I could sell batik products, and I need to sell batik products to accumulate working capital. It's the same as keeping stock available. So, I wasn't brave enough to start a batik business.”

Most former batik workers, who were generally poor villagers, had financial difficulty in setting up their businesses. Village communities in the Rembang regency were usually farmers, but if they did not have rice fields and could not afford to rent plots of land, they were likely to become agricultural labourers or batik workers. Javanese owner-managers who lacked capital employed several strategies to initiate and develop their businesses. This sub-section will explain those strategies.

They minimized costs by involving their family members in their business, including their spouses, parents, younger siblings and children. Jasmari and Fahri's wives worked to reduce the cost of employing batik workers. Similarly, Indriyati involved her mother in drawing batik designs on cloth. Sulastri asked her parents to help fold and count the batik pieces. Rukmana asked her son to do colouring, while her daughter drew the patterns on the cloth. Mardiyana asked her husband to help with the colouring, while her daughter did the drawing. Rusmanto mobilized his family members: his wife assisted in the production and marketing at home, while his two younger siblings did the colouring and collected the finished product from the outsource batik workers' houses.

To reduce labour costs, whenever they could, participants tended to undertake the production activities by themselves rather than employing workers. Female participants, in particular, tried to produce the batik work themselves, amidst the activities of managing their business. Mardiyana (among others) did the batik work herself rather than pay for

additional batik workers, as did Sulastri, who still drew the batik patterns herself whenever she was not busy taking part in exhibitions or providing training. When she was not taking part in exhibitions, Indriyati also prepared the cloth and then drew the designs by applying wax on the cloth. Below is the summary of family involvement in Javanese family firms.

Table 6.4 Family Involvement and The Roles in Javanese Batik Family Firm in Lasem

The family firm	Family members' involvement	Descriptions
Kasmini	The owner	Name: Kasmini
		Gender/Age: Female/62
		Roles: Undertaking daily business activities, such as, managing batik workers, general business transactions, financial management, managing materials, contact with suppliers, drawing batik designs on the cloth
	Daughter	Name: Indriyati
		Gender/Age: Female/40
		Roles: Drawing batik designs on the cloth
Tan Go Liang	The owner	Name: Suprapti
		Gender/Age: Female/62
		Roles: Undertaking daily business activities, such as, general business transactions, financial management, managing batik workers, managing materials, contact with suppliers, drawing batik designs on the cloth
Rusa Makmur	The owner	Name: Fahri
		Gender/Age: Male/54
		Roles: Undertaking daily business activities, such as, general business transactions, financial management, managing batik workers, managing materials, contact with suppliers and customers
	Spouse	Name: Sriyani
		Gender/Age: Female/46
		Roles: Drawing batik designs on the clothes
Kamboja	The owner	Name: Rukmana
		Gender/Age: Female/51
		Roles: Undertaking daily business activities, such as, managing batik workers, general business transactions, financial management, managing materials, contact with suppliers, drawing batik designs on the cloth
	Son	Name: Bima
		Gender/Age: Male/23
		Roles: Helping in colouring process
	Daughter	Name: Kartika

Raja	The owner	Gender/Age: Male/23	
		Roles: Drawing batik designs on the cloth	
		Name: Rusmanto	
	Spouse	Gender/Age: Male/45	
		Roles: Active in the business activities, such as, managing batik workers, welcoming buyers, business transactions, mixing colouring formula, general business transactions, financial management, contact with suppliers, marketing at exhibitions, active in organisations' activities	
		Name: Waryati	
	Younger Brother	Gender/Age: Female/39	
		Roles: Active in business production such as drawing batik designs on the cloth, managing raw material, selecting the cloth to be coloured; marketing product at home	
		Name: Baskoro	Gender/Age: Male/26
			Roles: Helping Rusmanto by counting clothes, welcoming buyers, colouring activities and collecting finished product from outsource batik workers' houses
		Name: Rahmad	Gender/Age: Male/23
			Roles: Helping Rusmanto by counting clothes, welcoming buyers, colouring activities and collecting finished product from outsource batik workers' houses
Mawar Melati	The owner	Name: Jasmari	
		Gender/Age: Male/44	
		Roles: Active in the business activities such as, managing batik workers, general business transactions, financial management, marketing at exhibitions, mixing colouring formula, contact with suppliers, welcoming guests, active in organisations' activities	
	Spouse	Name: Rokhayah	
		Gender/Age: Female/40	
Suka Rame	The owner	Roles: Drawing batik designs on the cloth	
		Name: Sulastri	
		Gender/Age: Female/41	
	Mother	Roles: Undertaking daily business activities such as, managing batik workers, general business transactions, financial management, managing materials, contact with suppliers, drawing batik designs on the cloth, active in organisations' activities	
		Name: Triyanti	
		Gender/Age: Female/71	
Meranti Baru	The owner	Roles: Folding finished batik cloth	
		Name: Indriyati	

		Gender/Age: Female/40
		Role: Undertaking daily business activities such as, managing batik workers, general business transactions, financial management, managing materials, contact with suppliers, drawing batik designs on the cloth
	Husband	Name: Rosidi
		Gender/Age: Male/45
		Role: Active in organisations' activities
Gajah Buana	Mother	Name: Kasmini
		Gender/Age: Female/62
		Roles: Drawing batik designs on the cloth
	The owner	Name: Mardiyana
		Gender/Age: Female/39
		Roles: Active in the business activities such as, managing batik workers, general business transactions, financial management, managing materials, marketing at exhibitions, mixing colouring formula, contact with suppliers, active in organisations' activities
	Husband	Nama: Guntoro
		Gender/Age: Male/45
		Roles: Helping in colouring process, except in mango season.
	Daughter	Nama: Suliyanti
		Gender/Age: Female/20
		Roles: Drawing batik designs on the cloth

Participants tended to employ outsource batik workers rather than workshop batik workers as a means of coping with their limited capital as this reduced production costs. Most of the batik workers have kinship relationship with the owner-managers. According to Rukmana, it was more economic than paying daily wages, because the cost for an outsource batik worker to complete one piece of cloth was much less. She related as follows:

“... yes, I also sent the cloth outside (outsourced batik worker) to be finished. For example, I paid the outsource worker IDR50,000¹³¹ for each finished product. Here, when the patterns are rather complicated, the cost is IDR25,000¹³² a day, and one piece takes three or four days, meaning that the total cost is between IDR75,000¹³³ and IDR100,000¹³⁴ and so on...”

¹³¹ It is equivalent to £2.581 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹³² It is equivalent to £0.775 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹³³ It is equivalent to £3.872 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹³⁴ It is equivalent to £5.163 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

Another benefit of this practice, according to the participants, was the fact that they did not have to provide a workshop with the necessary equipment and pay the additional costs for the workers' lunches, since the outsource workers worked in their own homes. The Javanese owner-managers lived near the outsource batik workers' homes, thus it was easy for the participants to control them. Several outsource batik workers employed by the participants were relatives they knew very well, thus the participants had a high level of trust in them.

As an economic measure, participants usually received prospective buyers in the family living room. Fahri decided not to open a showroom due to his limited capital; he prioritized his funds for taking part in exhibitions, since exhibitions were considered to be an effective way to find customers. To use the living room, he only needed to equip it with shelves to display their products, as every house basically had a living room located at the front of the house furnished with tables and chairs. Participants put the shelves near the chairs and tables so that buyers could see the display on the shelves. Some participants made some changes to the living room to suit the needs of their batik business. Sulastri changed the living room so that it looked like a batik shop equipped with two glass show cases containing folded batik pieces, a clothing rail display to hang batik garments and three hanging racks (known as *gawangan*) to hang the batik clothes for display. Indriyati divided her living room into two sections, one equipped with tables and chairs for receiving guests and the other decorated like a showroom equipped with hanging racks, shop windows, clothing rail display for hanging garments and mannequins.

Two participants, Mardiyana and Jasmari, opened showrooms in another place while still accepting guests at home. Mardiyana rented a kiosk for IDR3,000,000¹³⁵ a year across the main road of Pancur village, next to an alley leading to her village and about five hundred metres from her house. Her house was located well inside the village, so she decided to rent a kiosk in a strategic place by the side of the main road so that customers would find it easier to visit her shop. Rural houses had no numbers or street names and were only known by the name of the village, the number of the Neighbourhood Association (known as *RT*) and a Local Association (*RW*) number; hence it was not easy for customers to find her house. Mardiyana chose to work alone in her shop to reduce costs. As a result, when there were a lot of orders she had to close her shop while she made the batik herself at home. For the same reason, Jasmari decided to rent a small shop beside Lasem highway next to

¹³⁵ It is equivalent to £154.879 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

Babagan village resort, about 300 metres from his house. Jasmari employed a shop keeper as he did not want to close the shop when he was occupied with his business activities at home and or had to perform his duties as head of the sub-village.

Another strategy to address limited capital was producing only a small quantity of batik cloth in the start-up phase. Most participants employed this strategy, particularly those who were ex-batik workers and had no external financial support. Kasmini, for example, would make one or two pieces of her own batik cloth while still working as an outsource worker for a Chinese Indonesian producer. Mardiyana did this before she eventually decided to be independent and resign from the Kunthi Joint Enterprise Group. Rukmana did the same when she was learning to sell her own product.

Limited capital forced participants to produce hand-drawn batik in the form of cloth only rather than finished clothing (batik garment). This minimized the risk, as people's clothing tastes and sizes differed widely. The small scale owner-managers maintained that when batik was available in the form of cloth, consumers would be free to choose the patterns they liked and could have the cloth made into clothes in the fashion and sizes of their own choice.

Besides selling batik cloth, participants chose to sell only fast moving items. This was done for the sake of quick turnover so that participants could maintain production levels. Consequently, all participants aimed their batik product at the low-middle class products with prices ranging from IDR60,000¹³⁶ to IDR1,000,000¹³⁷. The number of potential customers in that product's market was quite large. Participants did not sell the upper class products, as the production process for high quality products was longer, complicated and required a great deal of accuracy. This meant a longer waiting time before payment was received. One participant sold hand-drawn as well as printed batik, such as machine made and cold wax silk-screened products because their low price meant they sold easily. Rusmanto, chairperson of Lasem Batik Cluster, related his experience as follows:

“There was a customer who came to me and said ‘Sir, I have an order for 1000 pieces, but my budget is only IDR50,000¹³⁸ for a piece’. So, it's of course impossible for me to give hand-drawn batik. It must be printed. I gave her a suggestion like this. Madam, if you want

¹³⁶ It is equivalent to £3.097 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹³⁷ It is equivalent to £5.163 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹³⁸ It is equivalent to £2.581 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

to order with Lasem patterns with a budget of IDR50,000¹³⁹, it means we'll have them printed in Pekalongan or Solo. Mr Markum, one of Lasem batik producer, is already reducing his batik workers, as now, batik printed with Lasem patterns is available in Solo. He prefer to buy batik printed and resale it, since it is cheap.”

Most participants were not concerned whether their buyers were resellers or end users. What was important to them was that their batik product sold. However, two participants, Kasmini and Suprapti, sold their product only to resellers. Kasmini said that resellers bought in large quantities thus, no matter how many clothes she made, her product would find a ready market. She made to order. Suprapti also sold only to resellers to continue her husband's business practice. She continued selling to several resellers who had become their regular customers and made to order. This was done to minimize the risk of the goods not being sold. The table below summarizes their product categorization, their target market, and the selling price range of their batik products.

Table 6.5 Target Market for Javanese Batik Family Firms in Lasem in 2014

Name of batik business owners	Retailer	Wholesaler	Product Categorization	Price of one hand made batik cloth (In IDR)	Price of one hand made batik cloth (Equivalent in GBP) ¹⁴⁰
Kasmini		√	Low-Middle Class	Closed	Closed
Indriyati	√	√	Low-Middle Class	IDR100,000 – IDR1,000,000	£5.163 - £51.626
Fahri	√	√	Low-Middle Class	IDR110,000 – IDR750,000	£5.679 - £38.720
Suprapti		√	Low-Middle Class	IDR150,000 – IDR500,000	£7.744 – £25.813
Sulastri	√	√	Low-Middle Class	IDR100,000 – IDR750,000	£5.163 - £38.720
Jasmari	√	√	Low-Middle Class	IDR90,000 – IDR750,000	£4.647 - £38.720
Rusmanto	√	√	Low-Middle Class	IDR90,000 – IDR1,000,000	£4.647 - £51.626
Rukmana	√	√	Low-Middle Class	IDR150,000 – IDR1,000,000	£7.744 - £51.626
Mardiyana	√	√	Low-Middle Class	IDR100,000 – IDR1,000,000	£5.163 - £51.626

The price of Javanese batik low class products is around IDR90,000 to IDR150,000¹⁴¹, while the middle class product price is around IDR500,000 to IDR1,000,000¹⁴². Further, no Javanese owner-manager sells upper class products.

¹³⁹ ibid

¹⁴⁰ Based on the exchange rate £1 equivalent to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

6.6 Economic Crisis

The economic crisis in 1998, following the 1997 monetary crisis in South East Asian countries, had a significant impact on the participants' batik businesses. The price of imported batik raw materials soared, because the exchange rate of the rupiah to the dollar increased sharply. At the same time, the community's purchasing power dropped owing to the high rate of inflation. Of the three participants whose businesses had been established before the economic crisis, only two, Fahri and Suprapti, managed to maintain their business. Fahri was fortunate, as he made profits during the economic crisis due to his considerable stock of unbleached plain cloth, the price of which increased up to six times, from IDR40,000¹⁴³ to IDR250,000¹⁴⁴ per piece. Fahri's accumulated capital increased rapidly. However, he was compelled to temporarily stop production because there were almost no buyers. He decided not to close his Rusa Makmur batik family firm waiting for demand to recover. Meanwhile, Suprapti at that time only assisted her partner in the batik firm and all decisions related to the batik business were made by him. She noticed that her partner reduced batik workers and only produced a small number of batik pieces during the economic crisis.

While Fahri and Suprapti were able to maintain their batik businesses, Kasmini decided to stop production as she had no capital to buy plain unbleached cloth when the price went up drastically. Moreover, Kasmini was not sure about the community's purchasing power, because she had to increase her selling price to cover the high price of raw materials. She explained:

“Well, in fact there were buyers, only a few, but the problem was I couldn't afford to buy the unbleached plain cloth. The price suddenly increased to IDR250,000¹⁴⁵. Then how could I sell it, how much could I price it? Normally I sold *jarik* (local term for batik cloth) at IDR11,000¹⁴⁶ – IDR13,000¹⁴⁷ but at that time, it suddenly went up, so how high would it be? Would there be any buyers?”

¹⁴¹ Around £4.647 to £7.744 based on the exchange rate £1 equivalent to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁴² Around £25.813 to £51.626 based on the exchange rate £1 equivalent to IDR19,370 in 2014 (Source: <http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁴³ It is equivalent to £3.051 with exchange rate £1 equal to IDR16,650 in 1998 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁴⁴ It is equivalent to £19.07 with exchange rate £1 equal to IDR16,650 in 1998 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁴⁵ It is equivalent to £19.07 with exchange rate £1 equal to IDR16,650 in 1998 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁴⁶ It is equivalent to £0.839 with exchange rate £1 equal to IDR16,650 in 1998 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

Another consideration that made Kasmini close down her batik business was that her children had completed their education and some of them were now working outside the town; therefore, she no longer had dependants needing financial support. In addition, her husband was still working as a truck driver and her children who had work frequently sent her money. Consequently, in 1998 she closed down her business. She started helping her daughter Indriyati open her own batik business. It is clear that participants ran their batik businesses only as a financial resource to meet the family's daily needs.

6.7 Technological Innovation

Several participants assumed a relatively open attitude towards new things, particularly technological innovation in batik production and saw it as an opportunity. One of the opportunities was the rapidly developing textile printing machine technology. These machines could now produce good quality identical copies of hand-drawn batik cloth. Printed batik can be mass reproduced in a short time, thus the production cost is much lower than hand-drawn batik. Although several participants were attracted by the low production cost, none of them adopted the machine-printing technology due to the high cost of investment in the machine. Only one participant, named Rusmanto, sold machine printed batik by ordering the clothes from another batik firm in the batik centres in Pekalongan and Solo. Many batik owner-managers in those cities had been adopting machine-printing technology; therefore, Rusmanto just placed orders with them for printed batik with Lasem patterns.

The government had once organized training in hand printed batik such as silk screen batik (known as *sablon* batik). This is a non-machinery method. According to Rusmanto, many people attended the training, but they did not practice it as they were not accustomed to using silk screens, therefore, the results were not satisfactory. Silk screen batik is produced by using a screen to apply the colouring substance to the cloth by stencilling. This screening process is very fast, since there is no wax application and dyeing. This is the reason why silk screen batik is much cheaper than hand-drawn batik. However, the quality of silk screen batik is far below the hand-drawn batik. Hand silk screening does not need large capital as it does not use machinery; however, it needs highly skilled workers to apply the colouring substance to the cloth using the silk screen. According to the local

¹⁴⁷ It is equivalent to £.992 with exchange rate £1 equal to IDR16,650 in 1998 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

owner-managers, buyers were still more interested in Lasem hand-drawn products rather than silk screened batik. Several Lasem batik owner-managers had tried offering silk screened batik to prospective buyers; however, the buyers still insisted on buying hand-drawn batik. A participant named Sulastri gave an account of her experience as follows:

“.... At the exhibition, well, one or two Lasem batik owner-managers offered the inexpensive silk screen batik. But I noticed it didn’t seem too saleable. Usually the prospective buyers who get offered batik printed or silk screen batik, on the contrary, always asked for hand-drawn batik, although it was more expensive. So, what’s the point of selling that kind of stuff?”

In 2010, the government introduced another new technology in batik making using cold wax, called cold wax silk-screened batik, to owner-managers in Lasem through training. This kind of batik is still classified as a true batik product as it uses the wax-resist dyeing process, unlike machine batik and hand printed batik. Rusmanto, head of Lasem Batik Cluster, explained:

“In fact, cold wax silk-screened still belongs to batik category, as the batik categorized by UNESCO is the kind of cloth making that uses wax-resist dying process. So, when wax is still used it means it’s still batik... hence what distinguishes it from the hand-drawn product is the colour quality and the neatness of the motifs and patterns. The thick or thin layer of the wax affects the colour produced. Then, the other thing is like this... (he showed me the product of cold wax silk-screened), cold wax silk-screened can only be done on one side, unlike hand-drawn batik which can be drawn both sides”

Cold wax silk-screened batik is produced through the same process as hand-drawn batik, whereby wax is applied to the plain cloth. The only differences are that the instrument used to apply wax on the cloth is not a *canting* but a screen, the same as in the production of silk screen batik. Therefore, the wax application process is quicker. Even though it is categorized as batik, the market is still less interested in the cold wax-screened batik, since the end quality is far below hand-drawn batik.

Subsequent to the training organized by the government, some batik owners tried to produce it, but they said it did not get a positive response from the customers. Indriyati explained:

“The cold wax system is similar to silk screening.... It doesn’t sell well. It’s different from hand-drawn batik that was printed by hand one by one using *canting* (a like pen tool). Lasem batik is genuinely hand-drawn. A friend of mine brought some when there was an exhibition, but they didn’t sell. In the end the stock piled up.”

Furthermore, although the national government organized training in silk-screened batik making, the local government of Rembang Regency wanted the batik industry in Lasem to keep its traditional batik as a unique characteristic of the region and appealed to the participants to keep producing it. The local government was also concerned to maintain Lasem as a centre of hand-drawn batik because it is a labour-intensive industry. Sulastri recalled these times:

“... once there was training in drawing, marketing, also to making batik silk screen batik and cold wax silk-screened. But after some consideration, the Rembang regency didn’t allow it. The training in making silk screen batik and cold wax silk-screened were just enriching the participants’ knowledge. So, after that training, there was no follow-up whatsoever from the local government. Well, villagers all need to work, sis... whereas printing and silk screening, only a few workers are needed... So, we chose to sustain Lasem batik, to give villagers jobs.”

The encouragement to sustain hand-drawn batik was also communicated through the meetings of organisations such as clusters and cooperatives. Javanese batik owner-managers responded to this differently. Most of them decided to keep selling and producing only hand-drawn batik products. However, a few owner-managers sold printed batik, such as silk-screened and cold wax silk-screened products. Rusmanto, head of the Lasem Batik Cluster, said that he and Markum sold silk-screened as well as printed batik. However, they did not produce it themselves. Rusmanto was the only one of the nine participants representing Javanese owner-managers who sold hand printed batik as well as machine printed and cold wax silk-screened batik, exploiting the opportunity and speculating on this new kind of batik product that could be sold far cheaper than hand-drawn batik. He ordered non-hand-drawn batik products from owner-managers in other batik centres, such as Pekalongan, Solo and Yogyakarta, due to his limited financial capital for machinery and the limited availability of local human resources. To achieve a good quality product, production of silk-screened and cold wax silk-screened batik required skilled workers, particularly in smearing the wax on the batik sheet. Meanwhile, batik workers in Lasem were only trained to draw patterns by applying wax on the cloth using a *canting*.

6.8 Competitive Environment

The emergence of new Javanese owner-managers resulted in tighter competition among Lasem batik owner-managers. These owner-managers were located in a small rural area

of only 4.504 ha¹⁴⁸, in which there could only be a small number of local customers and a limited number of workers. As the number of batik owner-managers increased, the competition between them became stronger. This greatly affected the participants who had started their business prior to the Lasem batik boom in 2005. Below is the experience of Fahri, one of the participants who had been running his business since 1987 who felt the impact of the tighter competition with the emergence of a number of new batik owner-managers. He felt that the competition for recruiting and holding workers, and attracting consumers by reducing prices, was increasing significantly.

Fahri started his batik business in 1987. The batik market was slack then, unlike conditions today. He marketed his batik only in the local markets of Lasem and its surroundings. He said that his business then was running smoothly, as there were only a small number of competitors, unlike today, when the market has extended to Jakarta and other big cities like Bali and Semarang. According to Fahri, competition began to increase in 2007 when a lot of new batik owner-managers emerged. With batik booming, many people immediately started to sell batik, particularly those who were formerly outsource workers who now became sellers in their own right. In his opinion, the training conducted by the government gave them the courage and ability to obtain loans from the bank. Fahri then, willy-nilly, had to compete for workers by offering higher wages, following the market. According to him, this was the result of the increasing number of owner-managers, while there was no increase in the number of skilled workers. In addition, more new owner-managers were competing by lowering prices to attract buyers. Fahri complained about this, as this made his business not as busy as it had been between 2005 and 2007.

Unlike Fahri, participants who started their business after 2008 stated that they faced no significant problems in the very competitive environment. As newcomers, they coped with the difficulties in obtaining workers by relying on the availability of batik workers in their own environment, particularly in their own families. They exploited their extended family members to help them. Following is Sulastris's account of her experience:

"Yes, there is a competition, of course but it is all our relatives who help us. Formerly they worked for the Chinese Indonesian, sorry Now I can produce batik myself, so, I recruited them. Generally in the village, they're still related to us, aren't they, sis? So, they are happy to help me."

¹⁴⁸ Source: <http://www.rembangkab.go.id/Pemerintahan/geografi/letak-dan-luas-wilayah> accessed on September 2016

Most Javanese owner-managers made use of kinfolk to secure the availability of batik workers. The Javanese in Lasem followed the kindred system called “*sanak sedulur*”¹⁴⁹ in different activities, social as well as economic, that require many workers, such as building houses, working agricultural fields and in plantations. This tradition also applies in the labour intensive batik business. Mardiyana said that after she had a batik business of her own, a lot of her relatives asked to be recruited as outsource workers. This helped her a lot in meeting the customers’ orders.

As a senior actor in Lasem’s batik business, Fahri also applied the same strategy as that employed by the newcomers; however, he still felt there was some decline in production, particularly in the productivity of the outsource batik workers. According to Fahri, an outsource batik worker could now receive orders from more than three owner-managers; whereas formerly, it was only from one or two owner-managers. As a result, there was often a delay in orders handled by outsource batik workers. In addition, when there were owner-managers who offered higher wages, the outsource batik workers were likely to give priority to those who paid the higher wages.

The fact that workers lived close to the Javanese owner-managers’ houses also made it easy for them to get workers. The participants normally employed their relatives and neighbours who lived nearby. Mardiyana related as follows:

“I’ve got two workers who come every day. There is Sukini, a relative. She formerly worked for *KUB Kunthi*, but, as she had problems with people there, she came to me and was asking for job. Well, no problem. Then I said to Ms Rukmana, the head of *KUB Kunthi*, rather than working for other people, how about if she helped me. And also Muthah who is living nearby. She comes here daily after finishing her house work.”

Only one participant, Suprapti, had a business in Lasem, at Karangturi village, which she inherited from her Chinese Indonesian partner. A lot of her workers came from Pohlandak village, about three kilometres from Suprapti’s workshop. Nevertheless, according to Suprapti, her workers were quite loyal, since most of them were related to her. Moreover, they were old and reluctant to move to another producer, as this would mean that they would need to adjust to their new employer. They tended to work in the place that they were used to. Suprapti still preserved her partner’s practice of employing workers in the

¹⁴⁹ A kinship system that includes siblings, cousins, uncles and aunts, father and mother’s in law, and other close relations of husbands and wives (Mochadi et. al., 1988)

workshop with wages paid after the work was completed (based on piece work), since it was much easier in controlling to meet the production target.

Javanese participants understood that, as newcomers in the Lasem batik business, they had to introduce their products into a market dominated by the products of senior and established owner-managers. They adopted a low-price strategy to attract buyers. Normally the hand-drawn product offered by Javanese owner-managers was 20% to 30% cheaper than the ethnic Chinese owner-managers, for example, a batik product priced at IDR750,000¹⁵⁰ by Chinese Indonesian owner-managers could be bought for IDR550,000¹⁵¹ from Javanese owner-managers. Indeed, there were no criteria in determining the selling price, as hand-drawn batik was an art product, particularly high quality batik with exclusive patterns. However, for batik products with a lower quality, the average price depended on the price prevailing in the market and was determined by the number of colours. Therefore, differences in the prices by Javanese owner-managers and those by ethnic Chinese owner-managers could be considerable.

Furthermore, facing tight competition, most participants were very flexible in the bargaining process and offered large discounts. This was done to make the consumers remain loyal to them. Indriyati's experience is reported below:

“There was an order for 20 pieces of batik cloth, not bad. I asked for IDR1,000,000¹⁵² per piece, but he wanted it to be reduced to IDR800,000¹⁵³. Well, no problem... he's a wholesaler, so no problem. If it suits him, he can order from me again.”

Low prices, as well as discounts for large quantity purchases, are employed to make customers loyal and attract more potential buyers. Following is Mardiyana's account of her experience. She felt that her business increased after becoming widely known within the community for her low-priced products and discount programme, which were passed on from one person to another by word-of-mouth.

Mardiyana originally had only one buyer from Pati¹⁵⁴. In 2011, she received orders for 60 batik uniforms at the time of the election of the village head in Pati. Then, in 2012, she received an order for 65 batik uniforms for the Neighbourhood Women's Association

¹⁵⁰ It is equivalent to £38.720 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁵¹ It is equivalent to £28.395 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁵² It is equivalent to £51.626 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁵³ It is equivalent to £41.300 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁵⁴ Pati is a small city near Lasem.

(known as *PKK*¹⁵⁵); and in 2014 as many as 90 batik uniforms were made. According to Mardiyana, her low prices for the orders for batik uniforms made her customers loyal to her. Subsequently, her customers spread the information about the quality and the price of her product from one person to another giving her a reputation. In addition, she also gave a further price reduction when the order was for large quantities. Two-colour batik normally priced at IDR150,000¹⁵⁶ per piece was then reduced to IDR125,000¹⁵⁷ for large orders. This strategy was quite successful in attracting buyers. Customers from other villages started to come to buy from her. When she asked the buyers how they knew about Mardiyana's batik business, it turned out that the information came from her loyal customers. Consequently, Mardiyana learned that the more buyers were satisfied with her batik product, particularly the price, the more buyers would come to her. Mardiyana said that almost every buyer bought her product because it was inexpensive. Her batik was priced at IDR300,000¹⁵⁸ to IDR500,000¹⁵⁹. Batik Gaman, the famous batik firm in Solo, is one of her loyal customers. They routinely order from Mardiyana; however, they are very selective about the quality. They choose only an excellent quality product, meaning neat printing, no drops of wax and even colouring. Mardiyana has been serving this customer diligently.

The low price of the batik clothes offered by Javanese owner-managers made resellers interested in buying their products. Even a big firm in Solo, like Batik Rencong, chose to buy Mardiyana's Lasem batik rather than producing the goods itself, notwithstanding that it would be easy for Batik Rencong to produce its own hand-drawn batik using Lasem patterns.

Flexibility also contributed to maintaining resellers' loyalty. At the beginning, Mardiyana sold to resellers for cash only and the selected items had to be paid for in full. Later, Mardiyana adopted a consignment system whereby payment for the goods was made after the reseller had sold the item. This system was introduced at the reseller's request. Batik Rencong, and other buyers, asked if payment could be made within a one-month period. These systems generated cash flow problems for her batik business, because her working capital was limited. However, she had no choice if she wanted to maintain the consumers' loyalty. Fortunately, she obtained a soft loan through the *PKBL* programme.

¹⁵⁵ *Pembinaan Kesejahteraan Keluarga (PKK)*

¹⁵⁶ It is equivalent to £7.745 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁵⁷ It is equivalent to £6.453 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁵⁸ It is equivalent to £15.488 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁵⁹ It is equivalent to £25.813 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

Participants tended to be flexible when making transactions, since they were aware that, as newcomers, they had to provide something interesting to attract prospective buyers. Jasmari, for example, offered the convenience of deferred payment using bank transfer. Below is Jasmari's account of his experience.

While taking part in exhibitions, Jasmari several times met consumers who wanted to buy his batik, but had no cash with them. Jasmari was prepared to take the risk by entrusting his batik clothes to the person he had just met for the first time. Jasmari offered buyers the convenience of allowing them to take his batik clothes first and pay later via bank transfer after they returned home from the exhibition. The value of transactions by this means amounted to between IDR2,000,000¹⁶⁰ and IDR4,500,000¹⁶¹. One time there was a buyer from Cirebon bringing no cash who looked at his batik products and liked them. She intended to resell Jasmari's batik products to her friends. Therefore, Jasmari allowed her to take his batik clothes and it was agreed that payment would be made later through bank transfer. After three months, however, there was no transfer from that customer. Jasmari became concerned because the value of the transaction was high at IDR12,000,000¹⁶². When Jasmari contacted the customer by phone, she said she would return the remaining unsold batik clothes and pay for the batik that had been sold in full within three months. However, the remaining pieces were returned six months later and only IDR5,250,000¹⁶³ was transferred. This was the worst experience he ever had. Nevertheless, this experience did not make Jasmari change his strategy of entrusting batik clothes to buyers who he met for the first time. Not long afterwards, a lecturer from Gajah Mada university came and was allowed to take his product with payment to be made later via bank transfer. He was always lucky, since he never had a loss.

Jasmari considered that his strategy was effective in dealing with customers and ensuring that they bought from him again. Another advantage that Jasmari offered was allowing his resellers to exchange the batik clothes for those with different patterns. Rusmanto did the same thing with his resellers. He employed this strategy when dealing with resellers, either those who were loyal customers or new customers. The reason behind his strategy is that batik is an art product, thus not affected by the cost of depreciation. This meant that the reseller could exchange batik clothes that were difficult to sell with new patterns, motifs

¹⁶⁰ It is equivalent to £103.252 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁶¹ It is equivalent to £232.318 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁶² It is equivalent to £619.515 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁶³ It is equivalent to £271.038 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

and colours. Neither was Rusmanto worried about his batik clothes being accidentally exchanged with his competitors' batik clothes, as he could distinguish between his and others' products. According to him, every producer has their own peculiarities of colours, patterns and design motifs and imposed their personal taste on their products. In addition, Rusmanto was also prepared to allow pay later payment options to buyers he already knew well.

To be able to sell at a low price, some participants skipped the process of *ngetel*, the process of preparing the unbleached plain cloth before the batik work started, thus allowing the cloth to absorb the colours properly. This process took three weeks to complete, depending on the weather. By omitting this process, labour cost and time could be reduced. Although the appearance of the end product of the batik cloth did not show any difference, the colour of the batik product that did not go through the *ngetel* process would fade quickly.

Amidst the tough competition, many participants were less concerned about the profit expected from each batik piece sold. They just concentrated on how their product could be sold. Rusmanto's explained as follows:

“When buying hand-drawn batik in Lasem, actually the buyers are subsidized by village residents. If we just count the regional minimum wages for the workers, it would be impossible for us to sell one colour hand-drawn batik at IDR100,000¹⁶⁴. It is by no means possible, since it takes longer than two days to finish a batik cloth. Just say when wages were IDR30,000¹⁶⁵, it would be IDR60,000¹⁶⁶ for two days. There's still some other costs, such as wax, the cloth, how much? The colouring substance, how much so.... it means that it's still subsidized by the village residents. But what else can we do. The most important thing is that the product is sold. Otherwise we can't compete.”

Javanese batik owner-managers tend to take risk by having a loss in revenue merely to be able to compete in tight competition.

In addition, participants actively marketed directly to either resellers or end consumers. Mardiyana, among others, carried her own product to the shops in Kudus, Pati and Semarang¹⁶⁷. A few participants offered their products directly to end customers by taking

¹⁶⁴ It is equivalent to £5.163 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁶⁵ It is equivalent to £1.549 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁶⁶ It is equivalent to £3.098 with exchange rate £1 equal to IDR19,370 in 2014 (source:<http://www.bps.go.id/LinkTableDinamis/view/id/952>)

¹⁶⁷ Kudus, Pati and Semarang are cities along the coast in Central Java Island in Indonesia.

batik clothes to the government offices. Participants who had been a head of a village or sub-village exploited their networks with the civil servants, which they had built when they were still active. Rusmanto recounted that:

“I went to the government office. The fact that I am well acquainted with them made it easier for me to get access to offering my batik product to them. They were greeting me.....So.....*pak lurah* (name for a male village head) is now doing batik work, don't you? ... of course we're going to buy ... I have a good relationship with them. Then, I urged those people in the office. They bought ... only few clothes were remaining. So, thank God ... As a result, my business is making fast progress.”

Participants exploited their good relationship with prospective buyers and encouraged them to buy their product.

Several participants, such as Sulastri, Indriyati and Rusmanto actively offered their product via Black Berry Messenger (BBM) media. Sulastri's experience in marketing her product through BBM is described below.

Faced by tight competition, Sulastri used BBM to help her market her batik clothes. At every exhibition, she would distribute her business cards complete with home address, telephone number and her BBM number. Afterwards, Sulastri invited the exhibition visitors to be her BBM contacts. Later on, they would be in touch and received offers of Sulastri's latest batik clothes. Sulastri frequently promoted her batik clothes by posting photos on BBM. Normally Sulastri displayed ten pieces of batik clothes in one photo. Those who were interested would then contact Sulastri and she would send details of the batik selected together with the price. When the price had been agreed, the buyer would then transfer the money to Sulastri's bank account and the evidence was sent via BBM. Once she received the money transfer from the buyer, she would send the package by delivery service. She sent the delivery service receipt to the buyer via BBM as a proof of transaction. This selling system using BBM had been in operation since the beginning of 2009, when many people were using BBM as a means of communication. Sulastri usually used BBM when selling to resellers.

BBM facilitated Javanese owner-managers in making business transactions, not only as communication tools, as it was quicker and cheaper than communicating by telephone. Further, by using BBM, photos could be sent and prospective buyers could see the batik clothes collection. The BBM broadcast system enabled Javanese owner-managers to offer their range of batik clothes to all of their customers connected through BBM. Almost all the participants who have the Black Berry application in their mobile phone used BBM media to advertise products and facilitate transactions except for Suprpti and Rukmana who were not familiar with the use of BBM technology.

Despite tight competition, participants said that they still cooperated with their competitors. This cooperation normally extended to sharing the rent of an exhibition stand because the small-scale business owners could not afford the costly rent on their own. Another joint effort was to sell a competitor's product at the exhibitions. Mardiyana related her experience as follows:

“Big batik owner-managers are of course unwilling to help in selling our product, because they could sell their own batik clothes. Often, the small batik owner-managers are willing to help each other in marketing batik clothes in exhibition. We usually cooperate in exhibitions, because we need lots of batik clothes stock to offer in exhibition in order to cover exhibition stall rent fee. If there's an exhibition, they (Mardiyana's competitors) come to see me and offer me to bring my batik product in exhibition. If I already have lots of batik clothes in stock, I choose to go to the exhibition myself. But, if I only have few batik clothes, I'll usually allow them to take mine... because it is not beneficial to go to exhibition when I do not have enough stock to offer.”

Similarly, Sulastri, a participant who became a tutor in the batik training programmes, said that she had often assisted in marketing products made by her former trainees who were trying to run their own batik business. She was also head of a joint work group named *KUB Sri Ratu* with 30 members which had been trained by the Indonesian National Bank (*BNP*). Despite the fact that she had run a business on her own, Sulastri kept helping to market *KUB Sri Ratu's* product.

“They make batik clothes piece by piece and then gathered all their batik clothes here. Then once a month they count the number of clothes which have been sold. Yes, it's like a little cooperative ... I'm the head of the group who markets their product. They are indeed very happy when their batik clothes sold. I never hide them ... All batik clothes that I get have been put here together with my own batik products. It's up to the buyers to select the ones they want. Doesn't matter whether the products are mine or theirs.”

It was obvious that amidst the tight competition, Javanese owner-managers were still willing to help one another.

There were conflicts among the Javanese producers; however, these did not appear on the surface. Normally if participants disagreed with somebody's action, they would just talk about it behind the person's back, without taking any action. They tended to hide the conflict. One participant, Indriyati, had a conflict with another Javanese producer who accused her of duplicating patterns. Nevertheless, she did not talk about it directly with

Indriyati but only through outsource batik workers employed by these two owner-managers. The Javanese batik owner-managers were not inclined to be involved in a vulgar conflict. Displeasure or disagreement with somebody's action was responded to merely by gossiping about it behind the person's back. For example, if some members of a cooperative or cluster felt that there was some unfairness in the allocation of free exhibition stalls and free training, they just talked between themselves without any further action. Below is Fahri's account of his experience.

“For example, if there are people assigned by the government to go to the exhibition, it would always be the same people, people who have close relationships with the government. Those who are active are likely to be the same people. Those who haven't got such relationships will not be included; those who don't want to be too close will be seldom selected. Like me, I am very rare get the opportunity, because I am not too close with them. Those who like being close to them will often be given the opportunity. They do a lot of lobbying. For instance, if there's a free exhibition stall, the ones that are well informed are those who have close relationships with the government, it's the head of the community. As for clusters, they rarely share any activities. If there is any aid from government, they'll enjoy it themselves. So, what can I do? Well, no problem ... the only thing I can do is just talking with my friend.”

Participants tried to maintain harmony between business and their social life by not taking any confronting action. They also tended to hide internal family conflicts.

6.9 Conclusion

From the discussion of the participants' experiences above, it can be concluded that external support from the government as well as non-government institutions played an important role in the process of starting and developing the Javanese owner-managers' business. This aid helped participants in coping with limited working capital and limited knowledge required in running a batik business and supported the Javanese in starting up, developing and sustaining their batik businesses.

At the macro level, government public policy was found to be the major influence on Javanese batik owner-managers in starting up a batik business. Firstly, the community developing programme during the New Order Government era with the third Five Year Development Plan (known as *Repelita*), which aimed to increase job opportunities in labour-intensive industries. These aid programmes helped batik workers to start-up businesses by providing training from making batik patterns up to colouring and funding.

Secondly, the policies that promoted demand for batik, such as Presidential Decree No 39 of 2009 issued 2 October as National Batik Day, Ministry of Domestic Affairs Regulation No 53 of 2009 followed by Regulation 68 of 2015 about the requirement for all civil servants throughout Indonesia to wear batik as their uniforms on a certain day, Regulations of *BUMN* state Minister Number Per – 05/MBU/2007 about *BUMN*'s Programme of Partnership with Small Enterprises and Environmental Care Programme (*PKBL*). The Javanese owner-managers responded positively to the government aid programmes and the government policies that encouraged batik demand, and provided financial capital through soft loans. Most of them saw the opportunity and started their own batik business. Javanese owner-managers competed to get access to the government facilities by exploiting nepotism. They built a strong relationship with government officials to get access to the government's aid programmes. In fact, a few of them used power as the head of a community to access the opportunity and shared it only with close relatives.

External support also came from other institutions that supported government programmes in developing batik business, such as *Dekranas*, *BUMN*, as a government-owned enterprise, allocated Corporate Social Responsibility funds for programmes to help develop the batik industry through the Environmental Care Partnership Programme (*PKBL*). This programme gave loans with a flexible guarantee and low interest, and other facilities, including free exhibition stands, accommodation, training and opportunity for comparative study. Nearly all of the Javanese owner-managers took this opportunity to support their limited financial capital.

Another external organisation that gave full and intensive support for a four-year period was the NGO, the Institute of Indonesian Pluralism (IPI). It provided training, marketing assistance and working capital for batik workers' wages, built workshops, constructed wells to support production activities, provided batik raw materials and funds. Everything required to start-up a batik business was supplied by IPI, including opening access to suppliers of raw materials. In addition, a few Chinese Indonesian batik owner-managers unintentionally contributed in helping Javanese owner-managers to start their own business by providing colouring services for payment, allowing their outsource batik workers to buy batik raw materials, giving training in batik drawing as well as assisting in obtaining access to training in colouring.

Besides public policy, the economic crisis was another issue at the macro level that

impacted on the family firm's sustainability. There were two Javanese family firms who experienced economic crisis in 1998. The Javanese owner-managers responded to the economic crisis by stopping their business; one of them closed down the firm permanently since there was little demand for her products. On the other hand, the other Javanese producer who benefitted from the rising price of raw materials during the economic crises accumulated business capital by holding considerable unbleached plain cloth, wax and ready-to-sell batik clothes. Nonetheless, he stopped production temporarily due to scarce demand then recommenced business when demand recovered.

At the micro level, there were several concerns that affected the sustainability of a Javanese family firm, such as lack of financial capital, lack of batik business knowledge, possession of unique resources, family involvement, harmony in both family life and business life, and management issues. Any of these might potentially encourage or threaten the sustainability of the business.

Financial capital is essential in determining the sustainability of a Javanese family firm, with limited financial resources being the main problem for Javanese batik owner-managers. They employed several strategies to cope with this issue. Firstly, they minimized production costs by involving family members in business activities and handling the production process by themselves. Secondly, they employed outsource batik workers rather than workshop (or daily) batik workers. This reduced production costs as they did not have to provide lunch for the workers, and did not have to provide the vast workshop and necessary production equipment because the worker works in her own home. Thirdly, they used their living rooms as showrooms instead of renting a store. However, a few Javanese owner-managers rented a store to make their business easily accessible because their home was in the rural area.

Most Javanese owner-managers produced hand-drawn batik imitating ethnic Chinese owner-managers' batik patterns and design motifs. In order to maintain a production level with limited financial capital, they focused on producing fast moving items, such as batik cloth (fabric) considering that people have different tastes and sizes it is too risky to sell finished clothing (garment). Javanese owner-managers engaged in low cost production activities, such as undertaking production themselves, enlisted help from family members, and skipped the *ngetel* process in producing batik. Secondly, Javanese owner-managers sold low-middle class products that have high product turn-over. Thirdly, Javanese owner-

managers engaged in a low pricing strategy. As newcomers, this strategy succeeded in attracting buyers and helped them to penetrate the market. Fourthly, as a marketing strategy, Javanese owner-managers conducted direct selling, such as in-house transactions, exhibitions, brought the clothes directly to potential customers (door to door marketing). They also relied on intermediaries such as resellers and competitors. It is interesting that Javanese owner-managers often cooperated with their competitors in marketing batik products, for example, to enable participation in an exhibition, they shared a stand which could be expensive; let the competitor take their batik product to be sell at an exhibition. Therefore, limited capital encouraged them to cooperate with their competitors.

Knowledge of the batik business was important for Javanese owner-managers. Lack of this knowledge, especially in the colouring formula, hampered them in starting their own business. Therefore, they were heavily reliant on external support to learn through training programmes. The Javanese owner-managers accumulated their knowledge in various ways: from their mother or grandmother, previous work experience, training programmes organized either by the government or non-government institutions, and ethnic Chinese batik owner-managers.

Besides knowledge, acquiring batik workers was also important in sustaining the business. Javanese owner-managers had the advantage by having batik family background. They therefore had no difficulty in assuring the availability of batik workers. They simply exploited their extended family to help in the production process. The Javanese tradition of involving kinfolk in various activities, social as well as economic, benefited the Javanese owner-managers in starting up and sustaining their batik businesses.

The intermingling of both family and business life in a family firm is unavoidable. Events in the family life could impact on the business life, and vice versa. When the sustainability of a Javanese family firm was threatened, as in the economic crisis, a producer chose to close the business because there was no demand, she was no longer responsible for her children's education, her husband had a source of income and her adult children sent her money. This indicated that, for the Javanese, their batik business was perceived merely as a source of income. Consequently, when the business faced difficulty, they could easily close the business and rely on other sources of income.

At the meso level, there were three dynamics in the opportunity structure, notably fashion

trend, technology development and competitive environment. Firstly, when batik was fashionable, demand increased. Javanese owner-managers exploited fashion trends in batik by starting-up their new businesses. Massive support from government and non-government organisations, through training and financial assistance, enabled these new Javanese batik firms to grow. Some of them engaged in nepotism in order to get access to these opportunities.

Secondly, Javanese batik owner-managers had a positive response to the development of production technology, either manual or mechanical. As newcomers, they were open to opportunity and willing to try. This was apparent when they enthusiastically participated in the training programmes in batik making using new manual methods, such as silk-screened batik and cold wax-screened batik. Ultimately, however, these did not go well because the processes were more difficult and they were not accustomed to it. When they tried to sell those batik products by ordering from other batik owner-managers in batik centres, such as Pekalongan and Solo, they discovered that they were not saleable. Some Javanese owner-managers also tried to sell machine printed batik which they ordered from batik owner-managers in other batik centres because the machinery was too expensive for them to purchase. Again, the product was not saleable. It shows that, as newcomers, the Javanese owner-managers were more aggressive in trying new technology; however, the market did not respond well. Consequently, they kept producing hand-drawn batik.

Thirdly, as newcomers in a competitive environment, most Javanese owner-managers were aware that they needed to offer something better to compete with the ethnic Chinese owner-managers who pioneered Lasem batik. They applied several strategies in order to compete. Their main strategy was to offer low prices. Further, Javanese owner-managers offered flexibility in the bargaining process by giving additional discounts for large orders. Javanese owner-managers also offered flexibility in the payment system by providing merchandise on consignment, payment by instalments, and entrusting the goods to the buyers with payments sent later by bank transfer. These strategies could attract new consumers and encouraged loyalty.

Another strategy employed in order to survive in tight competition was marketing the product proactively by relying on exhibitions outside the town. In addition, Javanese owner-managers actively visited resellers locally and sometimes outside the town. They were flexible in maintaining good relationships with resellers. They provided flexibility in

returns policy, such as exchanging the batik clothes for different colours and motifs whenever those clothes were not saleable. Javanese owner-managers also practised direct selling by utilizing the networks they had built with civil servants. To enhance their marketing activities, Javanese owner-managers also used BBM communication media.

Tight competition meant competition for skilled batik workers. Javanese owner-managers exploited the advantages of batik workers in their family network. It was relatively easy to recruit batik workers from their neighbours and relatives, since villagers were usually related to one another through kinship ties. Further, living in the same area with their batik workers was another advantage for Javanese owner-managers. They could easily access their batik workers and manage and control the work. In addition, Javanese owner-managers offered higher wages to compete in a competitive environment.

Conflicts between owner-managers could not be avoided in these competitive conditions. Normally, when Javanese owner-managers disagreed with competitors, they only talked about it behind the person's back (gossiping) without taking any further action. They avoided direct communication and confrontational action. This prevented any vulgar conflict. In this way, harmony among owner-managers could be maintained and it created the possibility of cooperation between competitors.

In conclusion, Javanese owner-managers relied heavily on Government support in sustaining their business, especially in the start-up phase. This support helped them overcome basic obstacles in running a batik firm, specifically limited financial capital and knowledge of the batik business. Thus, maintaining a good relationship with the government was necessary. Quite often they practised nepotism to obtain government privileges in order to sustain their business. Moreover, as newcomers, they found that a low pricing strategy helped them in penetrating the market, especially during tight competition.

Chapter 7 Business Sustainability in Lasem's Batik Industry

7.1 Introduction

An initial objective of this research was to identify the nature of sustainability in family firms in the traditional batik industry by exploring how they adjust to changing circumstances over time. These changes include family dynamics, market dynamics, and political and economic dynamics. The study looks at two ethnic groups who are both active in the traditional batik industry in Lasem; however, with different historical backgrounds in this trade. The comparison is relevant because it can highlight in a more detailed manner how a firm's sustainability is not only shaped by external forces such as the economic climate, political climate or market developments but also by internal forces. By bringing in the ethnic-dimension this study offers novel insights into family firm dynamics.

In order to analyse the outcomes, the mixed-embeddedness perspective is employed to investigate the ways in which owner-managers have tried to sustain their business. It allows an examination at different levels micro, meso and macro, which impact on business sustainability. Other authors (Jack and Anderson, 2002; Koning and Dahles, 2007; Kloosterman, 2010; McKeever et al., 2014) have discussed the usefulness of this approach but, as far as is known, it has not yet been used for understanding family firm sustainability of different ethnic groups (in the same industry and location) and over time.

Family firms grow and develop in tandem with the dynamics of the environment that might affect the sustainability of the firm, as well as the internal dynamics in the family and the firm. Such environmental dynamics generate either a challenging situation or an opportunity to be exploited by the owner-manager. In addition, Geus (2011) points out that the ability to learn and adapt to the changing environment is a component that influences the longevity of a family firm.

The two ethnic groups that I have discussed in the previous chapters have, as outlined, different positions and histories in Indonesia. The ethnic Chinese represent Indonesians who have descent lines back to mainland China, at times several generations ago. They have a long history of having been judged and treated as 'outsiders'. The Javanese are considered a native Indonesian people. Research into ethnicity and entrepreneurship

(Koning and Dahles, 2009; Gelderen et al., 2012; Koning and Verver, 2012) has suggested that cultural context or embeddedness matters. However, rarely has this been investigated for different groups. Most studies focus on one ethnic group, which makes it less clear how that would compare to other groups. Therefore, in this chapter I will detail how the ethnic Chinese and ethnic Javanese have tried to keep their batik firms going over time and whether their ethnic background factors in how they have coped.

This chapter begins with discussing family firm sustainability at the micro level, how a family firm's resources encourage business sustainability by considering the intermingling of the family and the firm and how the owner-manager responds to disruptions derived from inside the family and the firm. I will subsequently examine family firm resource availability, succession and family firm governance. For the meso and macro levels, I will discuss the external pressures that have an impact on family firm sustainability; how the owner-manager reacts to disruptions from external changes, such as market dynamics, political and economic dynamics.

7.2 Availability of Resources

The ability of a firm to possess and expand their valuable resources creates competitive advantage (Acheampong, 2018) and supports survival in the competitive environment (Moore, 2009). The current study found that the availability of resources is important for both ethnic Chinese and Javanese family firms to ensure business continuation. Even though some of the findings are in line with previous research arguing that longevity of a business depends on the stock of resources, such as materials, human resources, financial resources and other resources (William and Jones, 2010), my research shows that each ethnic group emphasised different resource availability.

The ethnic Chinese owner-managers have three main crucial resources, which create competitive advantage that help them in sustaining their business. These strengthen their position in the market and have been crucial in being a dominant player in the Lasem batik business over generations. Firstly, inheriting business assets, including intangible assets and tangible assets. The intangible assets, include production and colouring knowledge, business management, suppliers and resellers networks, and reputation. Meanwhile, tangible assets are land, buildings, financial capital, equipment and raw materials. This tangible inheritance from predecessors turns into capital assets in running the business. Thus, the majority of ethnic Chinese owner-managers did not have any significant

financial difficulty in running batik family firms. This finding confirms that family assets encourage business sustainability (Danes et al., 2009). Secondly, their knowledge of the batik business, especially colouring formula. It will be explained further in the next section.

Thirdly, family involvement in the batik family firm. Ethnic Chinese owner-managers employed family members in the family firm as a source of trust. It becomes important, especially when the business is growing, since the family member who is involved has a crucial business position in substituting the owner-manager's role in management and marketing functions. When the business is growing, an ethnic Chinese owner-manager could not handle everything by him or herself as the business activity becomes wider and more complex. He or she needs help in managerial tasks. Besides that, wealth sharing between family members becomes another motive to engage family members in a Indonesian family firm. It follows Confucian wisdom (Zhao, 2014) that has influenced their values and traditions. Ethnic Chinese owner-managers perceived that it would be better sharing opportunities with family members rather than sharing with people outside the family circle. This finding implies that family values and tradition encourage Chinese Indonesian owner-managers to engage family members in the family firm. This indicates that family involvement in ethnic Chinese batik family firms is not merely about asking for help or support from the family, as demonstrated in previous studies (Klyver, 2007; Budhiyanto, 2009; Lee et al., 2016; Revilla et al., 2016); but also, for wealth sharing within the family. In fact, these resources have been helping ethnic Chinese owner-managers to sustain their businesses through generations.

Although having some positive impact on business development, family involvement in ethnic Chinese family firms might potentially generate tension into family relationship and immense conflict that leads to hostility is often unavoidable. However, this conflict does not have serious impact on business performance. The business-owner could ask for help from other family members to replace the position of the person in conflict with him. Although, these results differ from a published study by Olson et al., (2003), conflict might threaten business success when the business-owner could not find any other family members who are willing to be involved in the business. This indicates that strong ties in the family is crucial in ensuring business success.

In comparison, Javanese owner-managers generally only have one resource which is

unique to them, namely, a large pool of batik workers they can draw on. This is based on having been batik workers themselves before starting their own businesses and therefore they have established networks and thus have good access to such labour. Like the ethnic Chinese, they also rely on family members in terms of business start-up and daily running. Furthermore, in the following sections, I will discuss the importance of resource availability.

7.2.1 Social Capital within and beyond the Family

This section starts with discussing family social capital as a core resource in family firm sustainability. In the second part it looks at the use of social capital beyond the family and its potential role in family firm sustainability.

Family social capital is social capital invested in the relationship between family members. It facilitates access to business resources, such as human capital and financial capital. In an ethnic family firm, most of the owner-managers perceive family as the main source of trust that drives access to knowledge, market and other business resources. The present findings seem to be consistent with another research, which finds trust in the family member as a distinctive feature of ethnic Chinese family business (Tan and Fock, 2001). Family is therefore used at the level of ownership and management, where trust is considered important in terms of finances and business knowledge, and keeps the core business close at heart. The Javanese also utilized family members as resources, mainly at the level of help, especially in production activities (so more internally used). Family social capital means that Javanese owner-managers can overcome financial limitation by using family members who are willing to work for less pay, or even unpaid. As a consequence, Javanese owner-manager have low production costs that enable them, as newcomers, to compete with existing batik family firms.

The reason that ethnic Chinese family firms keep knowledge, management and expertise close to the core is a result of their often precarious position in Indonesia where they were persecuted and discriminated against (Suryadinata, 1976). Consequently, they were very much on their own. However, they also have a unique selling point in the colouring technique of traditional batik, which inspires a close-knit family bond to safeguard this knowledge. The more individualistic and closed ethnic Chinese family firm seems to be mirrored in the architecture of their houses that have vast, tall and thick walls with layered

doors surrounding the main house, inherited from their predecessors. In addition, the doors are always closed. They are opened only when welcoming guests and buyers. Whereas strong ties are often judged as inhibiting business expansion due to lack of access to information and resources from a wider network, including extended family networks (Kapasi and Galloway, 2016; Brewton et al., 2010; Kowalewski et al., 2010), this study suggests that strong family ties within a nuclear family or more close-knit family circle (exclusive), such as parents and siblings can positively affect family firm sustainability through succession and knowledge transfer.

The Javanese ethnic group also exhibits strong family ties but these tend to be more inclusive. This is likely to be related to the Javanese bilateral kinship structure in which family lines from both mother and father are equally important (Mulder, 2005). Therefore, family social capital invested in the extended family ties is wider in practice. Further, habitual living in a group in Javanese ethnic society also promotes such values as togetherness and helping each other (Endraswara, 2015). These encourage collective actions, especially in sharing knowledge within the Javanese ethnic group, not limited to their nuclear family. These norms and values might have been relevant in encouraging the rise of many newcomers in the industry from the Javanese ethnic group. Knowledge and information spreads faster in the wider network of the Javanese ethnic group and enables them to access the aid programmes and exploit the opportunities. Thus, this study suggests that strong family ties in a broader family circle positively affects family firm sustainability by facilitating access to knowledge and information which is crucial, particularly in the start-up of the business.

As argued by Dyer and Mortensen (2005), family firms usually rely on family social capital and the above shows that is also the case in this study; however, with a few nuanced differences between the two groups. The ability of owner-managers to exploit family social capital is important in assuring business sustainability. However, this alone is not enough, as I will show later.

Next to family social capital, both ethnic groups have invested social capital in relationships outside the family, such as with customers and/or government officials, to secure their businesses. How they achieve this, however, differs. A key ingredient in how the ethnic Chinese develop these relationships is *guanxi* (personalized network/connection). As explained in chapter 2, this implies that mutual obligations,

assurance and understanding, and reputation and face are important to be maintained (Kiong and Kee, 1998). Before 2009, ethnic Chinese owner-managers mainly relied on their distributors (resellers) for marketing their batik products. Since 2009, with the introduction of batik exhibitions (an important marketing tool for the Javanese owners), some Chinese Indonesian owner-managers started to participate in these in order to boost sales; however, they kept the relationship with their distributors going. Some ethnic Chinese owner-managers succeeded in maintaining *quanxi* with distributors through generations and some distributors act as a source of soft loans. It indicates that *quanxi* has been transferred from one generation to another. Therefore, ethnic Chinese business owners have loyal resellers. What is surprising here is that the *guanxi* is not merely enclosed within their own ethnic group, but also with others ethnics. This research differs in nuance from Budhiyanto's 2004 study that found Chinese Indonesian entrepreneurs in gold trading in Indonesia only build and take advantage of *guanxi* with other ethnic Chinese entrepreneurs. It is difficult to explain this result; however, it might be related to the type of product.

As far as customers are concerned, ethnic Chinese owner-managers develop close relationships through guaranteeing a good quality product. They are relatively strict in controlling product quality to maintain their customers' trust. The Javanese use a different style by offering extra service to customers (and resellers), such as allowing trade-in facilities for resellers, providing discounts, allowing terms of payment and flexibility in the way payment is made. These actions indicate the influence of the Javanese cultural wisdom of *ewuh pakewuh* (hesitation) that has been exploited to promote customer loyalty.

Links to government and non-government officials is generally quite important in Indonesia to get things done; it also applies in the batik industry. Ethnic Chinese owner-managers strive to maintain good relationships with the government and were especially successful in doing so throughout the Dutch occupation period. However, harassment during Old and New Order eras that included some discriminatory regulations encouraged the Chinese ethnic groups to distance themselves from the government. They tend to be reticent in daily life, including the way they conduct business. Ethnic Chinese owner-managers started to build relationships with the government again during the Susilo Bambang Yudhoyono regime (2004-2014). They accessed the market by participating in the exhibitions and occasionally the local government brought potential customers to their workshops to buy Lasem batik as souvenirs when the government had guests. The

Javanese owner-managers also compete to build close relationships with the government to access their programmes. The Javanese ethnic group has more opportunities to access government programmes since the programmes are usually intended to develop and empower villagers of whom most are Javanese. These findings show that social capital invested in the relationship with the government facilitates access in developing batik businesses, whether ethnic Chinese family firms or Javanese family firms. However, the social and political dynamics related to the ethnicity issues have affected the Javanese more positively in terms of access to resources offered by the government to start the business and keep their business running.

7.2.2 Human Capital: Knowledge and Skills

In the batik business, human capital is an important resource due to the skills and knowledge (as well as art) related to making batik. According to previous studies, human capital can lead to high performance (Lafuente and Rabetino, 2011, Felicio, et al., 2014). Below I will discuss the role of skills and knowledge in family firm sustainability of the two groups.

This study found that knowledge is particularly important in the batik industry for both ethnic Chinese and Javanese owner-managers. In fact, the lack of batik knowledge, especially the colouring formula, prevented Javanese batik workers from becoming batik owner-managers, until the government provided training programs in the batik process. This shows that knowledge is crucial in the early stages of business. As stated by Moores (2009), it is important to learn how to obtain knowledge in order to achieve business success. Learning is defined as a process towards knowledge transfer throughout the business. Indeed, the owner-managers' circumstances determine what knowledge they lack and how they obtain the knowledge in order to maintain their batik businesses.

Ethnic Chinese owner-managers mainly get knowledge about the batik business from their predecessors, since most of them grow up in the batik family firm where they learn about batik production, such as batik patterns or motifs and the colouring technique; business management, such as managing batik workers; financial management; maintaining networks with customers and suppliers. Parents' batik firms usually act as a business incubator where the learning process is conducted. Living in the batik family firm allows ethnic Chinese owner-managers to spontaneously absorb tacit knowledge from predecessors, which has been captured through their senses by practising, watching, listening and discussing with parents, grandparents, siblings and batik workers in running a

batik business. This study demonstrates that living in a batik business family is advantageous to ethnic Chinese owner-managers in providing knowledge of running and managing a batik business compared with the Javanese owner-managers who do not have such a history in gaining knowledge and experience. Javanese owner-managers, however, learn how to make batik in the family, since they were or have been living in a batik worker's family. It supports the idea that the learning process in a family firm could be done by a process of trial and error, experiments, improvisation and vicarious learning (Roume and Louche, 2016).

The most significant information held by the ethnic Chinese is their knowledge of the colouring process. Due to the high value of this knowledge, they tend to keep colouring knowledge secret, at times even within the family. It will only be shared with the designated successor of the family firm. Nevertheless, keeping this essential business 'ingredient' a secret can also threaten business sustainability in the long term, especially when unpredictable events happen, such as when the predecessor suddenly dies and has not taught the successor about the colouring formula. This research suggests that keeping the colouring formula confidential might potentially encourage business to grow, but also might threaten the existence of the firm.

Javanese owner-managers, due to their history as batik workers, often for the ethnic Chinese businesses, have highly valued skills related to the production (drawing) of batik. Lacking all other business skills and knowledge such as managerial knowledge and colouring knowledge, as well as financial issues, made the beginning of their entrepreneurial journey difficult. Working experience in ethnic Chinese family firms evidently is not enough to facilitate a business start-up, since ethnic Chinese owner-managers apply job specialization, such as *nglengkrengr*, *nembok*, *nerusi* and *isen-isen* as a result of which the batik worker develops her skills and competence only in the related task. The Javanese family firms were only able to get started because of government and non-government programmes aimed at empowering villagers. The present findings seem to be consistent with other research, which found that external support, especially government, is essential in encouraging business (Brenner, 1998; Mazzarol et al., 1999) especially in the start-up phase of new businesses (Budhiyanto, 2009). Government and non-government programmes provided information that developed Javanese owner-managers' knowledge in the batik business, for instance, business management, colouring techniques and formulas. This allowed Javanese batik workers to move from a worker to a

business owner. In the last decade, many new Javanese businesses have started up, after getting support from government and non-government programs. This research suggests that the government plays an important role in encouraging new business start-ups, especially when there is asymmetric knowledge in which business knowledge is contained only within certain ethnic groups.

Javanese owner-managers also learned about drawing batik patterns on the clothes from their family; they were familiar with drawing batik patterns on the clothes since their childhood. Brought up in a batik worker's family made them familiar with batik drawing activities from an early age, because the mother usually took batik work home. The family's limited financial situation obliged children to help parents in drawing patterns on the clothes to earn more money. This allowed Javanese owner-managers to learn from parents either explicit knowledge or tacit knowledge through experience, observation and feeling. The family home becomes the incubator for training drawing skill where knowledge transfer took place.

In addition, knowledge transfer occurred in the work place. Most Javanese owner-managers had experience as batik workers in ethnic Chinese batik firms. They learnt to duplicate patterns, learnt about good combinations of pattern, and had opportunity to improve drawing skill by practising frequently. This suggests that the previous working place is another business incubator which enhances production skill that is required in assuring business efficiency. These findings seem to be consistent with other research, which found that there is a positive correlation between operation skills with business sustainability (Vuuren and Botha, 2010; Urban and Naidoo, 2012). However, the transfer of knowledge from ethnic Chinese owner-managers to Javanese batik workers has been restricted (it did not include knowledge about colouring or managerial knowledge).

Javanese owner-managers who were not raised in a batik worker's family learned neither through a business incubator in the family nor through work experience in an ethnic Chinese batik firm. They may have experience as a village government official. Being close to the government would enable easy access to government programmes designed to encourage villagers, who were mostly batik workers, to become entrepreneurs. These programmes allowed villagers to access information related to the batik business and gave them the opportunity to start up a batik business. This study shows that possessing power as a village administrator enables preferential access to batik business knowledge, leading

to opportunities to start up a batik business. This is in contrast to Mazzarol et al. (1999) who found that work experience in the government sector in Australia had a negative impact on family business start-up. This inconsistency might be due to the context where the study was conducted. It suggests the importance of the context in understanding how opportunity encourages business start-up.

7.2.3 Financial Resources

Financial capital is significant in ensuring business success. The majority of ethnic Chinese owner-managers have not faced any substantial difficulty in accessing financial capital in the initial phase of their business. The explanations for this is that most Chinese Indonesian owner-managers gained the business through family inheritance, which is the accumulation of their predecessors' wealth, such as lands, buildings, equipment and raw materials. The legacy becomes seed capital for the batik firm.

Only a few Chinese Indonesian owner-managers experienced financial difficulty in the initial years of their business. It occurred when their predecessors left loans, which were bequeathed to their successors along with the batik family firm legacy. To address financial difficulty, ethnic Chinese owner-managers rely on family and relatives for funding. This succeeds in helping them to survive in difficult times. It indicates that family social capital has facilitated to access funding. However, the young generation of ethnic Chinese owner-managers tends to utilize bank loans in order to expand their business. This began after 2009, when the bank and government-owned enterprises offered many soft loans as result of the government's programmes for developing batik businesses. The young ethnic Chinese owner-managers main reason for accessing bank loans is to procure privileges from the bank, such as accessing free exhibition stands in prime locations. It indicates that ethnic Chinese owner-managers are good at exploiting opportunities in order to develop the firm. Notwithstanding, the old generation tends not to take the opportunity to get bank loans since they encounter age limitations a constraint in gaining access to bank loans. Also, they are no longer passionate about developing the firm due to the physical limitations of their age.

As suggested earlier, financial capital has been a major barrier for Javanese owner-managers in starting up a batik firm. Having mostly been batik workers, they did not have any financial resources to make the move from batik worker to becoming an entrepreneur without support. It was the government and non-government grants or aid programmes that helped them on their way. They were not keen on taking risk, especially in initial business

start-up. Later, in order to develop the business, Javanese owner-managers started to utilize soft bank loans, which is also a part of the government assistance programme. This suggests that financial support from government and non-government organisations is necessary when the community has limited financial support.

The lack of financial capital was further alleviated by cost cutting strategies. For instance, employing family members, employing themselves in production activity, employing only outsource workers, not opening a show room instead using their home as a transaction place, producing in limited numbers and producing only clothes and producing low-middle class products, to keep a low selling price. This suggests that cost cutting is an appropriate strategy in some cases to keep the business sustainable. This finding corroborates the idea that strategic planning is essential for the business while operating in a highly dynamic environment which affects the business performance (White, 1984; Drago, 1996).

This study shows that financial capital problems could be overcome by accessing family social capital, which provides access to loans as well as cheap labour from family members and relatives. It confirms that, when financial resource is scarce, they rely on social and human capital from family members and friends (Sorenson and Bierman, 2009; Budhiyanto, 2009). It also indicates that family members' involvement in a Javanese family firm is a vital resource especially in the start-up of the business, due to limited financial resources. These results agree with the findings of other studies in which family involvement is crucial in the emergence of the entrepreneurial phase (Klyver, 2007).

7.3 Family Firm Succession

Family firm succession has its own unique impact on family firm sustainability. Most Javanese owner-managers are first generation in the Lasem batik industry who have not yet experienced succession. In contrast, ethnic Chinese owner-managers have carried out successions through generations. What is surprising is that ethnic Chinese owner-managers do not have any specific succession plan to assure this process succeeds. They do not prepare the successors in advance. This is contradictory to expectation that succession planning is the main key to the success of succession which determines business continuity (Mandelbaum, 1995; Santiago, 2000; Perricone et al., 2001; Tatoglu et al., 2008; Klein et al., 2013; Filser et al., 2013; Ghee et al., 2015; Bizri, 2016; Daspit et al., 2016).

Most Chinese Indonesian owner-managers only consider succession when they are getting

old and begin to feel their physical ability deteriorate and they require their children's assistance. This study indicates that succession was happening accidentally. Although the literature suggests that planning succession is crucial for business sustainability (Sharma and Dave., 2013), particularly in developing countries (William & Jones, 2010), ethnic Chinese family firms in Lasem use alternative practices. They succeeded in managing succession through the generations even though they lacked succession planning. There are several explanations for this result. Firstly, the strong family values which encourage children to commit in obligation to their parents. Secondly, successors do not have any other lucrative opportunity other than continuing their parent's business. Thirdly, successors failed in their career or were unable to compete in the big cities. Fourthly, predecessors were very flexible in choosing their successors which contributes to its success.

Initially, Chinese Indonesian owner-managers followed the patriarchal Chinese tradition in choosing the successor; the oldest child or son (Zhao, 2014; Tan and Fock, 2001). These results agree with the findings of other studies, which suggest cultural tradition influences the decision in selecting the right successor, such as inheritance law, social norms and religious doctrine (Gersick et al., 1997). However, failure in getting a successor through cultural tradition requires flexibility in choosing a successor to ensure the continuation of the family firm. This study suggests that flexibility in the cultural tradition helps in assuring business sustainability. The successor would be chosen from nuclear family first; however, if there is no nuclear family member willing to continue the business, then they move to extended family members. In this case, sustainability of the business is perceived more important than merely sticking to the cultural tradition.

In accordance with the present results, previous studies have demonstrated that, when the business was not profitable and/or not attractive to a potential successor, it might threaten business sustainability. Nevertheless, this study shows that personal attachment to the business plays an important role in assuring the business's sustainability. A successor's attachment to the family business as a personal identity affects their willingness to continue to keep the business alive and sustain their parent's business. This finding corroborates the ideas of Geus (2011), who suggests cohesion and identity are the components which influence the longevity of the firm. Therefore, emotional attachment to the business is a factor that plays an important role to the successor's inclination to keep the batik family firm operational. This shows that the Chinese cultural value of filial piety

as the basic family relationship of obedience and willingness to meet parents' expectations is a factor that affects the success of business succession. It represents that family values, norms, obligations and expectations contribute to the availability of a successor. As a consequence, this research suggests that family social capital, especially strong ties among family members, facilitates access to the availability of a successor that ensures business succession.

7.4 Family Firm Governance

There are several issues of family firm governance that affect how the family firm might remain sustainable, such as family firm orientation, family firm structure and the leadership style of the owner-managers. This is explained as follows.

7.4.1 Family Firm Orientation

As a family firm, intermingling of the family and business interests is unavoidable, which could potentially either threaten or encourage business sustainability (Stafford et al., 1999; Olson et al., 2003; Danes et al., 2009; Bjursell and Backvall, 2011; Sharma and Dave, 2013). Further, the family circle and the business circle, each has their own norms that need to be balanced to achieve business success (Gersick et al., 1997). Therefore, family orientation in a family firm plays an important role in determining how the strategy is created and how decisions are made in order to sustain the business (Reid et al., 1999; Aronoff, 2004). Interestingly, this study found that different ethnic groups applied different family firm orientations that affected their business sustainability. It is possible that these could be explained by their different cultural backgrounds.

Both ethnic Chinese and Javanese owner-managers present the mixture of business governance orientation between family first orientation and business first orientation. Chinese Indonesian owner-managers apply a business first orientation when exploiting opportunity; however, they have a family first orientation in terms of business survival. Business first orientation is presented by having a good understanding about the need to exploit opportunity for the business to grow. Ethnic Chinese owner-managers are able to see when an opportunity has to be exploited and are willing to take the risk in order to develop the business.

However, for ethnic Chinese owner-managers the family is there to keep the business

going; this approach or attitude has helped them survive through generations, particularly when facing difficult situations. The personal attachment of the ethnic Chinese owner-managers to the firm commits them to keep the business going. Furthermore, they prioritize socio-emotional wealth beyond financial goals. They tend to keep the business going even when it is neither promising nor profitable. This study shows that even though the business does not have high sales turnover, ethnic Chinese owner-managers still keep the business going. This seems to be related to some values such as persistence, patience and loyalty; as well as hard-work, discipline and recognition from the community (Bjerke, 2000).

Further, ethnic Chinese owner-managers are conscious about preserving the reputation of their predecessor in the Lasem batik industry and their role in the identity of Lasem batik. Thus, they feel an obligation to keep the business reputation in order to maintain their family identity. Therefore, ethnic Chinese owner-managers tend to retain what their predecessor has done. The perpetuation of a family dynasty becomes the central essence of an ethnic Chinese family firm. The family members are emotionally attached to their batik firm and to keeping the business running. As a consequence, ethnic Chinese owner-managers have a long-term vision which focuses on the continuity of the family firm. This ultimately influences any strategy they make.

However, using family workers to sustain the family firm can have a negative side-effect when the firm's profit is used for the family's needs. This practice usually occurs when a family member becomes ill or children are sent to school in the big city, which requires a lot of money. It might result in negative business performance. This study is consistent with previous studies that demonstrate family disruption could threaten a firm's sustainability (Reid et al., 1999; Stafford et al., 1999; Olson et al., 2003; Iglesias, 2015).

In comparison, Javanese owner-managers tend to adhere to a family first orientation in the business; meaning the business is to serve the family (Reid et al., 1999). This is understandable, since most of them came from a batik worker family background that is economically weak. Starting-up and managing a batik business tends to be for supporting their family's needs. Later, the family orientation shifts to a business first orientation when they face low demand or the business is no longer profitable. Closing the business is their only option, especially if they already have another source of income or no longer have any financial responsibility. This shows that Javanese owner-managers have less emotional

attachment to their firm. They perceive the batik business merely as a source of income. There might be several reasons for this. Most Javanese owner-managers are newcomers who simply took the opportunity offered by the government and/or non-government organisations, which promised to improve their family's economy. Moreover, as newcomers they lacked experience in running a business since they were raised in a non-business family background. This influences their way of thinking, creating business strategy, and governing the business. In this case, the application of a business first orientation threatens business sustainability when the business is not profitable, they already have another source of income (for instance through the jobs of children and husbands) and no longer have family funding responsibility.

This study indicates that family firm orientation might shift from family first orientation to business first orientation or vice versa when their circumstances change. It suggests that family orientation results from the complex interplay between dynamic circumstances and cultural background. This orientation influences the way they govern the firm, and their passion and commitment in sustaining the business. The family orientation at a particular time or event might encourage or threaten the business's sustainability.

7.4.2 Family Firm Structure

Organisation structure demonstrates how a family firm operates. It portrays a task system and authority relationships in the organisation, how to coordinate the actions and resources to achieve the goals, so that the organisation can operate effectively and efficiently.

Most batik firms in Lasem are family firms, which are owned and managed by members of the family. Usually, they apply a simple organisation structure, where the business is single family owned and the owner acts as the manager and has minimum functional layers as the owner and manager. Only the Chinese ethnic group experienced multi-family owned businesses passed down through generations, where more than one child was willing to continue the business. The simple organisation structure means there is no distinction between organisation control and the decision-making process; the final decision is made by the owner-manager. The advantage of this model allows a direct response to offers of opportunity. It shows that the owner-manager model is the optimal governance mode for small family firms, where the interest of the owner aligns with the managers and there is no distinction between organisational control and the locus of the human resource decision process (Zellweger, 2017; Matlay, 2002).

This simple organisation structure follows centralized management style. Both ethnic groups perform this management style, though they differ in the intensity of authority delegation. Chinese Indonesian owner-managers tend to have more centralized authority, even though a few of them start to delegate authority to the leader who acts as a middle manager. A leader's task is to assist in handling product quality control. However, Chinese Indonesian owner-managers still manage directly the patterns and motifs used by their batik workers; thus, the ethnic Chinese owner-managers' taste and style is represented in their products. These practices are consistent with more traditional ideals of work ethic and dedication to excellence. Chinese Indonesian owner-managers ensure their batik products meet their standard of quality. This finding suggests that ethnic Chinese batik family firms tend to be more conservative in terms of the control and management process. It might be one of the factors that affects the ability of ethnic Chinese family firms to remain sustainable in dynamic circumstances since it allows the owner-managers to make rapid decisions when it is necessary. This might benefit the business, especially in tumultuous conditions. This aligns with Zelwegger (2017) who concluded that the optimal governance form is the owner-manager constellation.

Javanese owner-managers operate differently in that they tend to give more freedom to each batik worker to improvise in drawing patterns and motifs on batik clothes, especially when not for pre-order sales. A reasonable explanation is because Javanese owner-managers have less knowledge than Chinese Indonesian owner-managers and they used to be batik workers who were always directed; therefore, they have not used their creativity in combining patterns and motifs to produce beautiful batik clothes. Furthermore, Javanese owner-managers allow batik workers to copy the product of ethnic Chinese owner-managers. This practice is possible because outsourced batik workers are usually employed by more than one batik family firm.

Overall, a batik family firm's management style is still informal. To some extent, the Javanese young generations tend to be more formal, since they have training from government and NGOs. For instance, young owner-managers use an account book. In addition, a few of the Chinese Indonesian owner-managers are beginning to formalize their business by having an Individual Business Licence and Obligatory Tax Payer's Registration Number. This suggests that the young generation has high adaptability to adjust and respond to change.

7.4.3 The Leadership Style

The style of how an owner-manager leads the business in relation to the employees and customers has an effect on how they engage in strategies to exploit opportunities and to survive in threatening conditions. Leadership styles affect how an employee engages with the business (Sousa and Dierendonck, 2017). This research suggests that each ethnic group has their own leadership style relative to their cultural background.

The result of this study indicates that both ethnic Chinese and Javanese owner-managers are experienced in shifting the leadership style. They do not stick to one leadership style, such as benevolent paternalistic leadership style, authoritarian paternalistic leadership style, moral paternalistic leadership style, or servant leadership style. Usually, the owner-manager adjusts the style to their relationship with employees, depending whether the changing circumstances might either threaten the business or provide opportunity. The appropriate adjustment of the leadership style is important in order to sustain the business.

Initially, ethnic Chinese owner-managers demonstrated an authoritarian paternalistic leadership when they dominated the batik business. The owner-manager was perceived as a parent or father who knew the best for the business (Oner, 2012). This pattern represents inequality of interpersonal relations power between owner-manager as a leader and employee as a follower and where the practice is seen as restrictive, coercive, patronizing and adverse to freedom. However, environmental changes encouraged them to make adjustments, especially when the Javanese batik firms were rising resulting in tight competition in the market. It shows that rising competition forces owner-managers to change and make adjustments to their leadership style in order to exist.

Ethnic Chinese owner-managers followed a combination of benevolent, authoritarian and moral paternalistic leadership. They built more family-friendly relationships with their employees. They started to be concerned about the emotional well-being of employees by adopting family-friendly relationships with the employees to help them to survive in a highly competitive market. Their leadership style changed after they realized that they were threatened by new, rising, Javanese firms, who usually had family relations with the batik workers. Therefore, ethnic Chinese owner-managers became more familiar and more benevolent towards their batik workers, such as giving a greater variety of lunch, providing healthcare reimbursement, arranging employee tours and facilitating soft loans. Ethnic Chinese owner-managers seem to discern that “kindness” investment is important in order

to maintain human resources. This practice effectively improves the relationship of the employees with the firm. It suggests that ethnic Chinese owner-managers tend to invest in social capital with employees. They believe that investment in kindness is important in retaining employees to keep them loyal, instead of trapped in a wages' competition. These results confirm the findings of other studies that suggest leadership capabilities might determine long-term survival of the firm (William and Jones, 2010).

In terms of knowledge transfer, ethnic Chinese owner-managers follow a supportive and instructional leadership style. They focus on family control of knowledge. Chinese Indonesian owner-managers tend to be closed and reluctant to share batik business knowledge with others, particularly employees, especially about the colouring. The batik business knowledge is restricted to family members who are expected to continue their batik business. In order to keep batik business knowledge secret, Chinese Indonesian owner-managers conduct job specialization for batik workers to restrict knowledge transfer. This practice limited the knowledge of batik workers to only one particular task which was delegated as her job. This prevented employees gaining a comprehensive knowledge about the batik business and inhibited batik workers from starting their own business. Further, Chinese Indonesian owner-managers mix the colouring formula by themselves and store colouring ingredients in a secret place, with an initial code on the plastic bag. This indicates that Chinese Indonesian owner-managers perceive the colouring formula to be essential to their batik business and needs to be kept secret.

On the other hand, Javanese owner-managers are likely to follow a servant leadership management style, which is underpinning service to others (Oner, 2012). It represents the moral of serving people in order to mobilize their performance. It seems possible that these results are due to Javanese cultural norms, which drive the servant leadership style. *Rukun* (social peace and harmony) is a Javanese norm which underlies the relationship between people in society (Wolf, 1992). It needs compromise and sacrifice to generate cooperation and minimize conflicts. This cultural norm encourages Javanese owner-managers to perform a servant leadership style. They frequently listen to batik workers and build an emotional bond with them. One possible reason is that they have had experience as a batik worker and therefore understand them better. Acquiescence is a basic cultural component of Javanese society which also promotes the servant leadership style. The results of this study will now be compared to the findings of previous work where the humbleness of the servant leader affects their leadership effectiveness (Sousa and Dierendonck, 2017), which

contributes to business success. These findings suggest that servant leadership helps Javanese owner-managers in managing batik workers by making them loyal to the firm.

Furthermore, Javanese owner-managers are following openness and contribution leadership style behaviour in a knowledge sharing activity approach. They are more likely to be open to change in adjusting to changing circumstances. The family becomes a facilitator of informality and open environment in sharing knowledge. Sharing wealth value in Javanese culture also has contributed to spreading information and knowledge. Habitual group living of ethnic Javanese promotes knowledge transfer. This is proven by the increased number of Javanese batik firms which is in line with collectivism of Javanese cultural norms. New Javanese firms start up immediately after knowledge exchange is spread widely. It is somewhat surprising that cultural norms were noted in this condition as an important factor in spreading knowledge which in turn encourages new business start-up. This study confirms that leadership styles depend on situational distinction of their environment (Cunningham et al., 2016). This study suggests that the leadership style is dynamic and heavily relates to the cultural background of the leader.

7.5 Market, Political and Economic Dynamics

Family firms do not live in a socio-economic and political vacuum, but rather in the actual time and place in the specific context. As a consequence, sustainability of family firms is closely related to their adaptive capabilities to the complex dynamic setting. The embeddedness of the family firm into their external environment (meso and macro levels) is a factor to consider in explaining how family firms might remain sustainable. Therefore, this section examines business sustainability by analyzing the appropriate response of the owner-manager to the meso level (market dynamics) and macro level (economic and political climate) due to the fact that market dynamics is a product of economic and institutional forces.

There are three issues of market dynamics that owner-managers have to respond to in order to sustain the business. These are changing fashion trends, technological developments and market competition. I will discuss these one by one.

Firstly, fashion trend. This is an important influencer in the dynamics of the traditional batik market, since batik is a fashion product. When batik becomes a trendsetter in fashion, demand rises and vice versa. Both ethnic Chinese and Javanese owner-managers exploit

the opportunity differently within their particular contexts.

Most Javanese owner-managers started-up their own batik business when batik became fashionable. They look at the lucrative aspect of the batik business. Moreover, government and non-government agencies have a positive intention to develop the batik industry to help the local economy. Javanese owner-managers respond to the situation by actively competing to access the support programmes. They even engage in nepotism in order to get the opportunity to participate in those programmes. Therefore, Javanese owner-managers tend to be heavily reliant on the support of external bodies. Accessing the programmes seems to be a good way to succeed in starting and sustaining the business for Javanese owner-managers. This suggests that institutional support (government and non-government bodies) has significant impact on the sustainability of Javanese family firms. However, the high dependency on institutional support might also threaten a family firm's sustainability in the long run, since the aid programmes cannot be everlasting.

In contrast, ethnic Chinese owner-managers experienced more ups and downs in the batik market. They were aware that batik is a fashion product that is influenced by current trends. There were two points in time when batik became a trendsetter in fashion. Firstly, during the 19th century when the Dutch government, which occupied Indonesia at that time, provided privileges to ethnic Chinese owner-managers for exporting and importing (see chapter 4 for details). The rising demand for batik and the opportunity offered by the government were responded positively by increasing production, expanding markets, and adopting the *cap* (stamp) method to shorten production time. This demonstrates that ethnic Chinese owner-managers successfully took advantage of the situation. Secondly, after UNESCO legitimized batik as an Indonesian intangible cultural heritage of humanity on 2 October 2009, the government moved to develop the batik industry in Indonesia. Some programmes and regulations were established to boost demand for batik resulting in batik becoming fashionable again. Ethnic Chinese owner-managers responded by increasing production capacity, innovating new products by adapting batik to modern men's and women's fashion and producing ready-to-wear clothing in order to adjust to customers' preference for clothes that were easy and simple to wear. Ethnic Chinese owner-managers actively participated in exhibitions, especially in Jakarta, to increase their sales. Furthermore, they set aside business profit to invest in profitable investments, such as property. This represents Chinese cultural wisdom in which social status is shown through wealth and material things, thus materialistic and accumulative (Bjerke, 2000). Therefore,

they accumulate business profits by investment. This also suggests that ethnic Chinese owner-managers practise good financial management (Bjerke, 2000) which helps them in sustaining their business. Ethnic Chinese owner-managers coped with decreasing demand when batik was out of fashion by reducing production.

Secondly, technology development. Javanese owner-managers responded positively to advances in technology development for producing batik by participating in training programmes. However, they could not immediately adopt the new methods because of the expensive machinery needed and the difficulty of the process for making silk-screened batik and cold wax-screened batik. Meanwhile, most Chinese Indonesian owner-managers were reluctant to adapt to the new technology. They maintained hand-drawn batik as the special characteristic of Lasem batik which had passed through generations. Nonetheless, a few owner-managers from both the Javanese and Chinese ethnic groups tried to sell printed batik by ordering from batik firms in other batik centres because it was cheaper than traditional batik. Unfortunately, printed batik did not get a good response from the market; therefore, Chinese Indonesian owner-managers decided not to sell it. Only a few Javanese owner-managers continued to provide printed batik as one of their product variants.

This study has been unable to demonstrate that neglecting innovation, especially in production technology development, might promote constraints for business development (Velvin et al., 2016). In this case, the owner-managers' reluctance to adopt new methods actually succeeded in keeping their businesses operational because they offered an authentic product which had an established, robust, niche market. Consequently, they were able to keep their businesses sustainable by building on a strong positioning in the niche market.

This research suggests that the majority of Chinese Indonesian owner-managers followed an avoidance strategy by persisting with unchanged production methods to retain the firm's identity. It shows that they believe the family firm is a valuable legacy which should be retained, including the product's features and the method of production. This also indicates that ethnic Chinese owner-managers have a strong emotional attachment to the business, so that they keep doing what their predecessors have done.

The other technological development affecting the industry is in telecommunication technology. The Black Berry application on the mobile phone helps Javanese batik owner-

managers with communication and marketing through Black Berry Messenger (BBM). It is mainly the young generation who adopt this new technology. Although BBM facilitates business transactions, ethnic Chinese owner-managers use it mainly for communication rather than for trade. This is because their massive stock makes the process too complex. The ethnic Chinese owner-managers prefer customers to come and select the clothes they like rather than taking pictures of all the batik clothes. They use BBM to inform their customers when they have a new collection.

Thirdly, competitive environment. In a highly competitive environment, both ethnic Chinese and Javanese owner-managers may employ aggressive responses to address competition. The competition is for skilled batik workers and for buyers. Javanese owner-managers benefit from their family networks and by living in the same area as the batik workers. It is common in small villages in Indonesia that members of the village are inter-related. Therefore, it is easy for Javanese owner-managers to get batik workers by exploiting the kinship system, either their nuclear or extended family. This suggests that Javanese cultural values impact on how they conduct strategies to sustain their business, such as *ewuh pakewuh* (hesitation), togetherness, helping each other, and *rukun*. This demonstrates that cultural values can be exploited to ensure business sustainability.

Javanese owner-managers conducted several strategies in order to assure the availability of batik workers, such as offering higher wages and exploiting their family relationships within the village. This indicates that Javanese cultural wisdom plays a substantial role in leveraging family members (expanded to kinship ties) to be involved in the firm to secure the availability of batik workers. Social peace and harmony are important norms in Javanese society (Wolf, 1992; Efferin and Hartono, 2015; Wiryomartono, 2016) that ensures batik workers do not refuse their family members who ask for help (Fatmawati, 2014), engenders respect in the social hierarchy (Geertz, 1956) and promotes the willingness of family members to be involved in the business. This means that Javanese owner-managers have a high dependency on their family in running the business. Furthermore, habitual group living (Endraswara, 2015) also encourages togetherness and a willingness to help each other which is necessary in Javanese society. Therefore, these cultural values help Javanese owner-managers in sustaining their business, especially in initial start-up years.

In contrast, as the founders of the Lasem batik industry, ethnic Chinese owner-managers

tried to keep their batik workers loyal, as mentioned in the previous section, by treating them well, providing a more varied menu for their lunch, arranging a holiday tour at the end of the year, providing a medical allowance, and offering a soft loan scheme. In addition, they also, opened a workshop in the village where their batik workers live and gave bonuses as rewards. Ethnic Chinese owner-managers also increased wages, up to a certain limit when their batik worker was attracted and lured by higher wages from other batik owner-managers. This was a strategy to encourage the batik worker not move to another firm. This study proposes that flexibility together with creative strategies, are necessary to survive in times of high competition. Meanwhile, for the newcomers, exploiting kinship ties to recruit assistance, particularly in the initial years, is an indispensable resource for surviving tough competition.

Competition in the Lasem batik industry is intense, both within the ethnic groups and between the ethnic groups. In their efforts to attract buyers they conduct several strategies. As newcomers, the Javanese owner-managers pursue a low price strategy as their most powerful strategy in penetrating the market. On the other hand, they have resources that support cutting expenses. They disregard the profit, concentrating only on how to sell the product, sometimes subsidizing when required. They do not account for their self-labour costs. In addition, Javanese owner-managers apply flexible practices when bargaining, such as offering further reductions for large orders. They also offer several flexible types of payment systems, such as consignment, paying by instalment and pay later. They tend to ignore the high risk of not being paid by the customers. Moreover, they provide a flexible returns policy to their reseller, where the buyer may exchange the batik clothes for different colours and motifs when the clothes are not saleable. This is not normal business practice in Indonesia. Therefore, Javanese owner-managers are courageous in taking the risk by offering a flexible returns policy to their reseller in order to help them sustain their business in tight competition.

Javanese owner-managers vigorously market their product through exhibitions, door-to-door selling and attracting potential customers by using Black Berry Messenger. These tactics suggest that, as newcomers, the Javanese owner-managers create strategies to penetrate the market. In certain situations, they even sacrifice profit and take high risks to keep the business going. However, in the long run, this might potentially threaten business sustainability, especially if they do not have sufficient financial capital.

Conversely, ethnic Chinese owner-managers, as the founders of the Lasem batik industry, heavily emphasize maintaining product quality (such as neatness and colour durability) to continue their predecessors' practices. They have the advantages of being established in the Lasem batik industry, which places them in a strong marketing position. This suggests that exploiting a strong position in the market might sustain the business in a period of tight competition. In addition, the ability to recognize market competition and the willingness to take risks is important in order to make an appropriate strategy based on prevailing circumstances.

The intense competition in the traditional Lasem batik industry causes unavoidable conflict with competitors. Interestingly, this study shows that different ethnic backgrounds have different reactions to the conflict. The cultural values seem to underpin the strategy of choices. Ethnic Chinese owner-managers prefer more direct or frontal conflicts. It indicates the independence of Chinese owner-managers in running their business. The frontal conflict potentially obstructs cooperation between batik family firms. Ethnic Chinese owner-managers rarely cooperate with other batik family firms. However, to some extent the old generation of ethnic Chinese owner-manager is willing to cooperate with the young generation of ethnic Chinese owner-manager when it is beneficial for both sides.

In contrast, Javanese owner-managers tend to avoid conflict and choose to gossip instead. This shows the Javanese values of social harmony impact on how they manage conflict. It allows Javanese owner-managers to cooperate with their competitors if that would help them in developing the business. This suggests that avoiding conflict might encourage business sustainability. Furthermore, this indicates that cultural values determine how the owner-manager manages conflict that, in turn, might potentially harm or encourage business sustainability.

At the macro level, this study suggests that the dynamics of economic and political conditions from the Dutch Colonial time until reformation periods impacted on family firm sustainability. An appropriate response was required for each situation in order to keep the business going (Stafford et al, 1999). Family firms have to adapt to the changing environment such as market, economic, political and cultural conditions (Suddaby, 2010). The family firm is deeply embedded within their local community where they operate the business and live with the family (Colli, 2011). Ethnic Chinese and Javanese owner-managers have different responses to changes at the macro level (economy and political

climate). This suggests that the government's different treatment of the ethnic groups, and different historical backgrounds, impact on their strategy to sustain the business.

Ethnic Chinese family firms have existed through generations and survived some crucial political changes (which are explained in detail in chapter 4). In this study, over the participants' life-business experiences, there are three political regimes that threatened the business sustainability of their family batik firm. These are, the Japanese occupation (1942-1945), Old Order regime (1945-1966) and New Order regime (1966-1998). During the Japanese occupation, ethnic Chinese owner-managers closed their businesses and used the remaining business profit for living. Throughout the discriminatory treatments of the Old and New order regimes (1945-1998), ethnic Chinese owner-managers persisted in keeping the family firm, even though at times, they had to stop the business during chaotic conditions, such as in the purge of the Indonesian communist party in 1965/1966. The ethnic Chinese owner-managers responded submissively to the discrimination. Acceptance of the government regulations was their strategy for conserving the business, such as changing the Chinese business name into an Indonesian name. However, they used subterfuge to keep their family firm name by applying a stamp on the batik clothes with their predecessor's name using Chinese characters. To access the government programmes, the business owner would use his Javanese wife's name. This suggests that ethnic Chinese owner-managers were flexible and innovative in responding to difficult conditions by accepting discrimination and adjusting the way they ran their business. In addition, although the New Order regime (1966-1998) restricted the choice of employment for the ethnic Chinese, it resulted in Chinese Indonesian owner-managers refining their business skill, acquired over generations to ensure business sustainability. This indicates that ethnic background context of ethnic has consequences for business sustainability.

Conversely, there were two political changes that prospered ethnic Chinese business development. Firstly, a policy of community stratification in the Dutch colonial period (19th century). Chinese Indonesian owner-managers eagerly exploited that opportunity through several strategies, such as increasing production, taking advantage of export and import privileges and expanding their market. Secondly, government regulation that promoted the batik business after batik was legitimized by UNESCO in 2009. Chinese Indonesian owner-managers aggressively took the opportunity to increase production capacity; marketing low-middle class products; maintaining the family firm's reputation through quality products and using exclusive designs; maintaining a good relationship with

government to get access to the government's programmes; registering with the Lasem batik cooperative to obtain information about government programmes; and actively exploited government programs.

The Javanese owner-managers, however, did not have any political changes that threatened business sustainability. Instead, the government encouraged their business development, especially under the Susilo Bambang Yudhoyono's (SBY) regime (2004-2014). Javanese owner-managers responded positively to the government programmes. They started their own business, participated actively in government programmes, exploited nepotism to get access to government programmes and networked with government and non-government bodies.

The macro level of economic dynamics also impacts on a family firm's business sustainability. While good economic conditions encourage market growth, conversely, Indonesian economic crises that began with the Asian economic crisis from 1997 to 1999, together with political turbulence at the end of the Soeharto era, threatened business sustainability. The Lasem batik industry was in decline until it was reinvigorated under the Susilo Bambang Yudhoyono government (2004-2014). Both ethnic Chinese and Javanese owner-managers responded differently to the macro dynamics. The Chinese Indonesian owner-managers tended to be more optimistic that the situation would recover in the long run and would prosper again; they believed that God would make a way. This indicates that religion or superstition supported them in dealing with a difficult situation (Bjerke, 2000). Therefore, they applied several strategies to keep their business going. For instance, minimizing expenditure such as, stopping production temporarily and dismissing batik workers, and stockpiling unsold product which they perceived as investment. In order to provide their family's needs, they obtained income through business diversification and pawning batik products to get a loan for living expenses. This study suggests that cultural values and their contextual background had a profound influence on the owner-managers in the way they sustained their business in difficult times. They stopped temporarily only when necessary due to lack of demand. Conversely, Javanese owner-managers stopped their business and one of them closed permanently when they faced economic crisis, because they perceived the family firms as financial source for the family.

7.6 Critical Factors for Business Survival

This research has found six critical factors that are considered essential for survival of

batik businesses. Firstly, the owner-manager capability, including awareness of the changing circumstances at micro level (the family and the firm), meso level (the market dynamics) and macro level (political and economic events). As owner-managers, they have to be able to identify the changes at these levels and how these potentially generate opportunities or problems and subsequently how they should respond by developing an appropriate strategy. Flexibility is crucial in developing a coping strategy and/or respond to an opportunity but this must be understood within the confines the local family context (ethnic culture) and how that plays role in how owner-managers develop their strategy and take action. Both ethnic groups make use of their ethnic (family) values. Ethnic Chinese owner-managers perform *guanxi* with their distributors or resellers, some of whom have been related to the family business over generations. They act as a source of soft loan or are effective in helping firms pass through difficult situations. Meanwhile, Javanese owner-managers relied on such notions and practices as, *ewuh pakewuh* (hesitation), togetherness, harmony and helping each other in order to ensure batik worker availability during in initial business start-up and the periods of tight competition.

Secondly, a unique resource availability of traditional batik firms lies in knowledge, specifically knowledge on the colouring formula; this knowledge is core to business survival (and growth). Having such knowledge made it possible for ethnic Chinese firms to survive over generations and is their key to success over their competitors. Lack of such colouring knowledge, made it very difficult for Javanese businesses to start their batik business. It shows that specialist knowledge can take a prominent role in batik business. Furthermore, family social capital is another unique resource that affects family firm sustainability. Its application has been different among the ethnic groups. Ethnic Chinese owner-manager generate family social capital in close relationship within a limited network that is rooted in strong family ties; this is imbued with high trust and shared understanding. It implies that there are obligations and expectations that promote a strong business culture which support in their case competitive advantage (business secrets as well as willingness of potential successor to continue the business). Meanwhile, among Javanese owner-managers family social capital is at times more compromised to go beyond the business and therefore in fact creates vulnerability.

Thirdly, family firm orientation. Owner-manager's vision is substantial in giving direction to the business and co-determines success of the family firm; in family firms there is always an intermingling of family and business interests that either threaten or encourage

business sustainability. This research shows that both ethnic groups grapple with this interrelatedness but in different ways. The ethnic Chinese owner-managers applied business first orientation when exploiting opportunities; the combination of values such as persistence, patience, loyalty, hard-works, discipline, recognition and preserving reputation keep the business going (but not always with a profit). Ethnic Chinese owner-managers have high personal attachment to the business. Javanese owner-managers however, perform a family first orientation in the initial business start-up; this means that the business is to serve family needs. Javanese owner-managers thus seem to have a low personal attachment to the firm. They discern batik business merely perceived for supporting family needs. These outcomes relate to differences in cultural notions and social practices among the two groups and thus indirectly impact on processes of business sustainability.

Fourth, a centralized management style and a modest organizational structure have been affecting the ability of both ethnic Chinese and Javanese family firms to remain sustainable in dynamic circumstances. It allows fast decision making since the owner is the manager and there are short lines of communication (often family related). Quick response and an appropriate strategy in addressing either opportunities or problems might be conducted. However, the ethnic groups are different in how they practice the delegation of authority. Ethnic Chinese owner-managers are more conservative in terms of control and management than Javanese owner-managers. This generates product positioning for ethnic Chinese batik firm as a competitive advantage; this assists market success.

Fifth, independence while running the business (no strings attached). The case of the ethnic Chinese family firms shows that the independence in running the batik business has been a crucial factors that enabled them to survive across very dynamic circumstances over time. Discriminatory experiences influenced and reshaped how they conduct their family life and family firm; they had to manage on their own and rely on their own communities which created independence, flexibility and an ability to recover quickly. It suggests that independency resulted from their life experiences, which although were of a sever nature had a positive effect on family firm sustainability. As consequence, dependency of external support (government and or non-governmental organizations) might threaten business sustainability as was seen to be the case among the Javanese family firms.

Sixth, maintaining good relationships with the government can be very beneficial due to

access to resources but it might also create a danger. The government is an external body that can have a significance impact on the family firm through their policies as well. It might either encourage or threaten the business, which depends on who are favoured by the policies. Both ethnic groups show that maintaining good relationship with the government is essential in developing the business. It provides access to the market through free exhibition spaces which is where they will recruit potential customers. In addition the Javanese group received financial support in the form of aid or grants intended to enhance the economy and empower villagers (which mostly are Javanese); it also however can create vulnerability the moment the support stops.

7.7 Conclusion

This study shows the importance of mixed-embeddedness perspectives to acquire an in-depth understanding of business sustainability in terms of growth and survival. It allows more comprehensive analysis of the complexity and dynamics of family firms in multiple settings at micro, meso and macro levels, by considering that the ups and downs of family firms are closely related to the context. At the micro level, there are three big issues that have a crucial impact on the sustainability of the family firm, namely the availability of resources, succession and family firm governance. Meanwhile, the appropriate responses of the owner-managers to the dynamics at the meso level, notably fashion trend, technology development and competitive environment, and the macro level such as economic and political climate equally play a role in family firm sustainability.

At the **micro level**, this research indicates that resource availability such as knowledge, social capital and financial capital is important in determining the business sustainability of both ethnic Chinese and Javanese family firms. However, each ethnic group has its own unique resource combination and local and cultural embeddedness. This plays out differently for each group in which they try to sustain their businesses in the following ways.

The following patterns emerged, firstly, knowledge is a core resource in the batik industry, especially the colouring formula. This special knowledge engenders strength for ethnic Chinese owner-managers in dominating the Lasem traditional batik industry over generations. Therefore, they keep the colouring formula confidential. This inhibits competitors and newcomers, as this research shows for the Javanese businesses that entered the area, since they lack this knowledge. The fact that the ethnic Chinese owner-

managers keep the colouring formulas a secret could, however, also threaten sustainability, especially when something unexpected happens to the predecessor and the knowledge has not been transferred.

Secondly, succession. This study revealed that ethnic Chinese owner-managers have successfully passed the business down through generations without any specific succession planning. This suggests that the Chinese cultural value of filial piety, such as willingness to meet parents' expectations and the strong ties in family relationships, is a factor that affects business succession. Thus, culture and family values determine the availability of successors. On the other hand, Javanese owner-managers have not yet experienced succession. It can be suggested that children might be willing to continue the business as long as the family firm remains profitable, because the family firm is operated to support the family's needs.

Thirdly, emotional attachment. The emotional attachment of the ethnic Chinese owner-managers to the firm and the family is also important for business sustainability and influences how the owner-manager governs the firm. Batik owner-managers are willing to do anything to keep the business going, even sacrificing profit, especially in difficult situations, and exploiting the opportunity to develop the business in order to keep the firm's reputation. The ethnic Chinese owner-managers have strong personal attachment to their family firm. Meanwhile, personal attachment to the firm did not present in Javanese owner-managers. A possible explanation is that successive ethnic Chinese owner-managers have been running their batik business through generations, thus their emotional ties to the business grow in line with the development of their personal (family) lives. Further, the ethnic Chinese ethnic group had no other option than to run the business for a living during the New Order era (1966-1998). Moreover, ethnic Chinese owner-managers perceived the family firm as something to be passed to the next generation for the continuity of the family dynasty as a family identity. Therefore, the ethnic Chinese owner-manager merges himself or herself into the business.

At the **meso level**, ethnic Chinese and Javanese owner-managers responded differently to market dynamics, such as fashion changes, technology development and competitive environment. When batik becomes fashionable, ethnic Chinese owner-managers exploit the opportunity by increasing product capacity, expanding market coverage, creating product innovation, actively participating in exhibitions, and investing profit in profitable

investments. On the other hand, Javanese owner-managers engage in nepotism to obtain privilege from the government in order to access grants and aid programmes. When new technology in batik making was introduced, ethnic Chinese owner-managers employed an avoidance strategy by not adopting it. They maintained traditional methods as performed over generations to keep the firm's identity. Javanese owner-managers, however, as newcomers tended to try the new methods learned in the government programmes; but they did not continue with the new technology when the product was not in the market's interest. Further, in a competitive environment, as newcomers, Javanese owner-managers applied a low price strategy, offered several flexible payment systems, provided a flexible returns policy to resellers. On the other hand, ethnic Chinese owner-managers, as the founders of the Lasem batik industry, employed a product quality strategy and exploited strong positioning in the market.

The market dynamics are, to a certain extent, a product of economic, institutional and political forces. Ethnic Chinese owner-managers are more independent in responding to the market dynamics because of their discriminatory past experienced during the Old and New Order regimes (1945-1998), whereas Javanese owner-managers rely more on external support, government support in particular. Due to their close relationships with government officials, it is easier for the Javanese owner-managers to access government grants and aid programmes than for the ethnic Chinese owner-managers.

At the **macro level**, there were several political and economic events that impacted on business sustainability, either encouraging or threatening the family firm. Although ethnic Chinese owner-managers have been reasonably successful in sustaining their businesses, they had to deal with several tough periods, such as discrimination from the government regimes and economic crises. Their experience in facing difficult conditions forced them to be more independent, flexible and resilient. Javanese owner-managers benefited from favourable government policies. This created high dependency for Javanese owner-managers on government support, which in the long term, or when this support collapses, could threaten business sustainability. Regime changes in Indonesia often coincide with changes in policies so this is an insecure resource to rely on. Thus, while on the one hand government support has been beneficial for the Javanese owner-managers to get their businesses up and running, on the other hand it could be a liability if such government support stops or changes. Being able to respond flexibly and have access to a variety of options/resources in case of macro changes, which are often beyond the control of small

businesses, is therefore important. This study indicates that the flexibility of the owner-managers to the changing circumstances by exploiting their resources (supported by and in conjunction with certain cultural values) is deemed important. This is in line with an appropriate strategy in the adaptation process to external pressure, such as alignment strategy and avoidance strategies.

In conclusion, this study suggests that a combination of contextual background, the settings and the unique resources relevant to each ethnic group have an impact on their strategies while responding to the changing circumstances at the micro, meso, and macro levels. In addition, both cultural and family values profoundly influence owner-managers in keeping their business going. Lastly, the policies of various regimes have impacted on business sustainability, therefore an appropriate strategy in changing circumstances is very crucial in determining business sustainability.

Chapter 8 Conclusion

8.1 Introduction

The aim of this research was to provide a more detailed and contextual understanding about the nature of family business sustainability, both in terms of growth and survival. To achieve this, the traditional batik industry in Lasem, Indonesia, was selected to explore what factors affect business sustainability and how these family businesses adjust to changing circumstances. This study incorporated a mixed-embeddedness perspective by investigating changes at different levels and in different contexts: the micro level (the family and the firm), meso level (the market and institutional environment), and macro level (economic and political climate). The ups and downs of the family firm over time have been overlooked in family business sustainability research to date, which inspired this research in the first place. In addition, this research is one of the first to examine family firm sustainability for two different ethnic groups; both have their own history in Lasem and in the traditional batik industry, notably the ethnic Chinese and the Javanese.

In order to achieve the aim, I have outlined several objectives in undertaking this study. Firstly, to critically review and analyze literature and theories on family firm sustainability. The majority of studies on business sustainability examine the macro-economic level, which draws attention to responsible behaviour socially and environmentally. To offer a more comprehensive understanding of family firm sustainability, this research also explored the micro and meso levels. Previous studies in business sustainability examine sustainability either by looking at the ability of the firm to pass through difficult conditions and situations or by examining the growth of the business. This study, by taking a longer-term view, was able to explore both the ups and downs of businesses and how they coped. In addition, this study shows that local context (culture) has an impact on how these family firms develop their coping strategy and respond to opportunities. This suggests the importance of mixed-embeddedness in studying business sustainability, where the business and the life history, contexts and settings as the background of the family firm owner-managers become crucial in determining the response to changes in circumstances that either potentially encourage or threaten business sustainability. The second objective was to develop an in-depth understanding of which factors affect business sustainability using the example of the traditional batik industry in Lasem in Indonesia. This was investigated

by comparing two ethnic groups that are active in the industry in Lasem; the long-established ethnic Chinese family businesses and the more recent businesses established by the Javanese. Chapters 5 and 6 provide the in-depth details of each group while in chapter 7 the comparative focus reveals, for each group, the importance of unique endowments (related to specific cultural notions, social practices, access to resources and position within Indonesian society) in setting up, running, and maintaining their business. The third objective was to develop an in-depth understanding of how family firms respond to changing circumstances in order to sustain the business, in particular, through the example of the traditional batik industry in Lasem, Indonesia. The in-depth details of each group were presented in chapters 5 and 6. The fourth objective was to develop theoretical thinking and research on family firm sustainability which will be addressed in more detail below where contributions to knowledge are summarized. The final objective was to offer advice on how Indonesian family firms might prepare and respond to changing circumstances in order to support their business sustainability; these are revealed in the recommendation section below.

This research demonstrates the embeddedness of family firms in their micro, meso and macro levels have consequences for business development and business survival and for business survival over generations. Therefore, how the owner-manager responds to changes in the micro, meso and macro circumstances is deemed important in keeping the business going. The results of this study suggest some key findings that impact on business sustainability. Firstly, at the micro level, the unique resource availability (knowledge, social capital and financial capital) owned by each ethnic group, which refers to the contexts (such as family background and ethnic culture) in which they are embedded; knowledge possession (especially colouring formula); flexibility in responding to the changing circumstances; succession; and emotional attachment to the firm and the family.

Secondly, at the meso level, changes in the market dynamic impact on business sustainability. Each ethnic group delivers different responses to the market dynamics (fashion trend, technology development and competitive environment) in regard to their context. This must be positioned against the macro level (political and economic) dynamics which have impacted each of the two groups differently.

Thirdly, at the macro level several political and economic events either encouraged or threatened business sustainability. The ethnic groups have responded differently to the

political and economic events and they subsequently employed different strategies due to being embedded differently in Indonesian society.

Ethnic Chinese owner-managers demonstrate their success in sustaining their businesses over generations. During the Dutch colonial time they received privileges to run their businesses, which ensured success. Meanwhile, the ethnic Javanese at that time were merely batik workers. Ethnic Chinese owner-managers, however, proved more resilient in coping with difficult conditions, such as discriminatory treatment from the government (Old and New Order regimes, 1945-1998) and the economic crisis, compared to Javanese owner-managers who started batik businesses when the Indonesian government gave intensives through batik industry support programs aimed at enhancing village economies of villagers. The life experiences of ethnic Chinese owner-managers in facing difficult conditions reshaped the way they lived and ran their businesses. It forced them to be more independent, flexible and to recover quickly. On the other hand, Javanese owner-managers benefitted more from government policies and started their own businesses during the New Order regimes (1966-1998). It shows that government policies have an impact either in developing or in disrupting batik businesses; this relates to who is favoured by these programs and policies.

Such government support is thus closely linked to the sustainability of batik businesses through the creation of 'a market' for batik (use of batik style dress by government officials and on special days) as well as through programs, such as free training programs on batik production and assistance in marketing by supporting the transport of the product to be marketed to domestic or overseas exhibitions and give grant funding. They also offer support by creating free exhibition stands to showcase batik to potential customers, both from Indonesia and abroad.

Javanese owner-managers displayed great dependency on the government support, when faced with difficult conditions during the economic crisis: one of them closed the business permanently, while the others chose to economize. Having a high dependency on government support, threatens business sustainability in the long run, especially when the regime changes which is inevitably followed by a change of policies (and thus the end of support). This research indicates that close relationships with government officials is required in order to exploit these opportunities. An appropriate business strategy as a response to changing circumstances is important for business sustainability, rather than relying on the regime's policies.

To sum up, this study suggests that each ethnic group is embedded differently and has found ways to cope with challenges to their businesses by relying on their unique resources for developing their strategy to respond to the changing circumstances at the micro, meso and macro levels. Lastly, the importance of the flexibility of the owner-managers to their changing circumstances by taking advantage of their cultural and family values, and resources. This is in parallel with choosing an appropriate strategy in adapting to external pressures to ensure business sustainability.

8.2 The Contribution of The Study

This study generated an original contribution to research on the development of family firm sustainability in several important areas. Before addressing these in detail below, a core contribution of this study has been the identification of several key factors that are critical for the survival of batik businesses. These are: owner-manager capability, including an awareness to changing circumstances (seeing and acting); unique resource availability that specific ethnic groups might have and can use to their advantage, such as knowledge (unique colouring formula used in traditional batik); the interlinkages between family capital, financial capital and family involvement (offering a large pool of potential resources to access); family firm orientation (vision and values); centralized management style in a modest organizational structure (short lines of communication); a good level of independence (no too many strings attached unless reciprocal) while running the business; and having good relationships with the government (in order to have access to their resources).

This contributions of this study are as follows.

Firstly, most business sustainability studies are heavily focused on the macro-economic level, which examines environmental or social elements for sustainable development (Hogevold and Svensson, 2012; Wells, 2016; Roume and Louche 2016; Dyllick and Muff, 2016; Ferro et al., 2017; Galo et al, 2018). Therefore, this study contributes to the paucity of research in business sustainability at the micro economic level, which looks at how the firm could be sustained over periods of time. This research found that study at the micro level is important since the availability of resources, the success of succession, family firm governance and how the family firm responds to the changing circumstances have impact on the family business's sustainability.

Secondly, this research also offers a more comprehensive approach to studying business sustainability by looking at both the growth and survival process, while most studies to date partially examine business sustainability by focusing on either survival (Heynes et al., 2011; Winard et al., 2014; Glover and Ray, 2015) or on growth (Olson et al., 2003; Urban and Naidoo, 2012; Vu et al, 2017). This research suggests that it is important to study sustainability more holistically by looking at the ability to develop and survive the business, since business sustainability means the capability of the business to exist over time. This study suggests that to make a business sustainable, family firm owner-managers have to create an appropriate strategy in response to difficult conditions. Their survival coping strategy is crucial to ensure the business's survival. In addition, family business owner-managers also have to create an appropriate strategy to exploit opportunities to sustain business growth. The ability to develop the business determines the business's sustainability over a period of time.

Thirdly, the study of business sustainability often neglects the environmental impacts (Astrachan, 2010), such as the general condition of the business; potential competitors; industry growth and economic cycles over time; the political climate and technological development. Accordingly, to fill this gap, this research investigates business sustainability in its proper historical, social, and economic environment context, i.e. Lasem batik as a traditional batik industry and its development over time in confluence with political and economic changes in Indonesia in general and with regard to industry in particular. The study of family firms over time offers insight into the context of where they are embedded. An historical perspective gives an overview of the changing contexts and settings over time, and the various responses that might threaten or reassure business sustainability. Therefore, this study presents the ups and downs of the family firm in order to depict the way they sustain the business and survive in difficult conditions and develop the business when there is an opportunity.

Fourthly, this study uses an interpretivist position, as it believes in the value of understanding the meaning-making processes of research participants. This offers some important insights into business sustainability using a more contextual approach by exploring the factors that impact on business sustainability and how the family firm responds to the changing circumstances in order to sustain the business. Family firm sustainability is the relationship between the business, the family, the settings and the contexts. This study, through close observation and in-depth interviews, discovered how

family firms sustain their business. For instance, it examined how they exploit their available unique resources, how they achieve succession to ensure business continuity and how they respond to changing circumstances. This level of understanding is often missing in other family firm sustainability studies.

Fifth is the comparison between ethnic groups which shows that each has their own unique resources and strategies to respond to the changing circumstances in order to keep the business going. It suggests that the contexts and settings have impact on business sustainability. This study employs a life-business history approach. This approach explores the business owners' life history in conjunction with the historical evolution of the business (Koning and Dahles, 2009). The benefits of using life-business histories as a method is that it brings an in-depth understanding as to how family businesses remain sustainable and/or adapt to changing circumstances; it provides a more detailed perspective on how the family firm responds to the changing circumstances he or she may have been confronted with over time. Most other research only studies sustainability in a particular time period, such as Olson et al. (2003), Heynes et al. (2011) and Urban and Naidoo (2012).

Sixth is an on-going discussion on the different ways of 'doing' business among ethnic Chinese entrepreneurs in Indonesia and Southeast Asia versus local entrepreneurs to which this research might contribute. This research found that there is a unique feature in the ethnic Chinese way in doing business, in particular how they focus on the business at all times. The ethnic Chinese case practised a business first orientation when exploiting the opportunities, though they apply a family first orientation when concerned with business survival. Conversely, the Javanese local entrepreneurs placed family first in the business. They started and managed the business to support the family's life necessities.

The seventh aspect focuses on the two types of family firms and the different positions are considered as a good portrayal to explain that settings and contexts are very important in understanding the responses of family firms to the changing circumstances that might have an impact on their business sustainability. This research compares these two ethnic groups to explore how they have responded to the changing circumstances. Even though quite a few of the more meso and macro circumstance have been the same, the two groups have experienced them differently and have been challenged differently. This has led to the following insights: the ethnic Chinese owner-managers are more resilient, relying on their own resources and business experience; while the Javanese owner-managers are more

dependent on external support which, in the long run, might threaten business sustainability.

Finally, no previous study has investigated family firm sustainability by considering a wide range of factors that might affect business sustainability. This study analyzes business sustainability in changing circumstances at every level (micro, meso and macro). In other words, business sustainability is the outcome of an appropriate response to changing circumstance in the complex and interrelated system where the firm is embedded. Hence, this study proposes the significance of incorporating an embedded perspective that allows for an analysis of changes at different levels and in different contexts: the micro level (the family and the firm), meso level (the market, institutional environment), and macro level (economic and political climate) in investigating business sustainability.

8.3 Limitations and Further Research

Although this research has presented a comprehensive understanding of family business sustainability, it did so in a rather unique and specific industry: traditional batik. This raises the question whether a particular business sector has impact on business sustainability. This has not been investigated as the focus was on one sector only and thus offers scope for further research to be able to determine a potential relationship between sector or industry and firm sustainability.

To date, the study of family business sustainability is predominantly in a western context (Danes et al., 2008; Olson et al., 2003; Heynes et al., 2011; Hogevoold and Svensson, 2012; Staughton and Ludema, 2012). Whereas this study contributed to this lacuna, more research in non-Western contexts is needed to be able to judge any specific impact this might have on family firm sustainability, for instance the level of economic development, political climate and stability, processes of urbanization and industrialization, and so on.

This research comprehends business sustainability in family firms through a social and economic lens. I neglected the environmental issue since it is not as yet a big issue in traditional batik in Lasem, Indonesia. The government does not take much interest in regulating waste disposal even though waste significantly pollutes the environment. Therefore, the business owner-managers ignore the natural environment aspects in running their business. Further research needs to incorporate natural environment issues in understanding business sustainability through time, especially in the batik industry, since the waste from the colouring process is polluting the rivers and could threaten the

surrounding environment. Therefore, future research could be conducted to include sustainability, not only of the business, but also in terms of its impact on the environment.

Further, the issue of business failure should be mentioned. As it is difficult to get access to unsuccessful family firms (due to the fact that this information is not being shared or a reluctance to discuss it because of shame) this study heavily relied on the surviving family businesses, which is especially the case for the ethnic Chinese family firms. It thus might have painted an overtly positive image. Including failure experiences in research on family firm sustainability might provide a more detailed understanding of the ups and downs of family firms, particularly if after a failure there is a restart and how this is resourced and managed. This warrants further research. A related issue concerns family firm conflict and how these impact on firm sustainability. As talking about such conflicts can be culturally sensitive, other research methods might be developed to unpack these dimensions; we can think of arts-based approaches as other ways of investigating sensitive topics in family firm research.

Finally, while this research study suggests that life-business histories are an important and additional approach to capturing family firm sustainability in greater detail, it also has limitations. Since the life-business history approach explores the business owner's life history in conjunction with their business development, it heavily relies on the memory of the participant where the ability in recalling events, occurrences and incidents is sometimes blurred over time and potentially re-storied in a more positive light. Although these 'memory' matters are acknowledged in this methodology, there is an opportunity to advance this approach by using additional sources such as the inclusion of secondary sources, for instance mass media information, newspaper clippings, government documents and business reports. Also interviewing other family members could enrich the data further, particularly as they might have different recollections of the events thus allowing the research to further complexify its outcomes.

8.4 Recommendations

This study found that financial support from government or non-government programmes succeeded in encouraging the start-up and development of businesses by the Javanese entrepreneurs. Although businesses were successfully started in the batik sector, it also created, as shown, a strong dependency on such government support which can ultimately threaten business sustainability. Therefore, it would be relevant if such government support were accompanied by empowering programmes that foster independence. Advice to the

government would therefore be to also provide a system to nurture business mentoring until newcomers are considered ready to conduct the various business tasks alone within certain time limits.

Furthermore, based on the research, it seems relevant in both cases that family firms prepare better in terms of succession and develop succession plans. Leaving this to chance, as was shown, could be detrimental to business survival. Advice to family firms would include to actively involving potential successors into the business and its management as early as possible. This might encourage successor's interest in batik business; they can also help it grow which will create a feeling of ownership and interest in taking over. The more successful the batik business is, as research points out, the greater the interest of the next generation in continuing the business. The closeness of the emotional relationship between children and parents can work two ways and awareness raising (for instance via family firm organisations or batik NGOs) of the positives and negatives that the closeness of these bonds might generate, is important in order to work towards succession planning and business sustainability.

In addition, based on the findings, it became clear that certain business 'secrets' should be shared with the next generation before this knowledge is lost. For instance, the unique colouring formula, which is closely tied to the survival of Lasem batik and its cultural heritage. This hints at offering the family firms the advice of creating awareness of the unique knowledge they hold and to plan knowledge-sharing as they would plan succession.

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Appendixes

Appendix 1 Participant Information Sheet



**Department of Business and Management
Faculty of Business
Oxford Brookes University, Wheatley
OX33 1HX, United Kingdom**

Lely Kristinawati Budhiyanto
Email: lely.budhiyanto-2012@brookes.ac.uk

INFORMATION SHEET

Study title

Change and adaptation of family firms in the batik industry in Lasem, Indonesia.

You are being invited to take part in a research study. Before you decide whether or not to take part, it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully.

What is the purpose of the study?

The ability to survive and grow is important to sustain family firms. This study will explore the ways in which family firms in the traditional batik industry in Indonesia have responded to changing circumstances such as the Asian economic crisis in the late 1990s, the global crisis of the mid-2000s, the UNESCO declaration in 2009 in batik as an Indonesian cultural heritage product.

This study will run approximately eight weeks during which interviews and observation of daily business activities will take place.

Why have I been invited to participate?

We are interested in hearing about your business experiences and your life experience related to running a business in the batik industry.

We are inviting you because you might fit the following criteria:

- You are a traditional batik business owner or manager.
- You have experience of running a business for 1 to 5 years.
- You are aged above 20 years.
-

Do I have to take part?

It is up to you to decide whether or not to take part. If you do decide to take part you will be given this information sheet to keep and be asked to sign a consent form. If you decide to take part you are still free to withdraw at any time and without giving a reason.

What will happen to me if I take part?

After reading this information sheet, we will discuss any queries that you might have about the study. If you then agree to participate, you will be asked to sign a consent form.

On an agreed day, we will meet for an interview session. Between us we will choose a convenient time and place to have the interview. The length or duration of the interview session can vary, depending on your convenience. The interview will be conducted in an informal way.

You are free to stop the interview session at any moment.

The interview consists of sharing business and life experiences and we can decide between us to meet several times for a short session, rather than one long session, if that is your preference.

The researcher will also make a visit to conduct an observation to view daily activities that will be noted in a diary. With your approval, pictures will be taken during the interview and/or observation. These materials are in support of the interview.

What are the possible benefits of taking part?

You will contribute in furthering our understanding of the topic. In particular the view from business owners in Indonesia is relevant because of the special status of the batik industry, the importance of family businesses to economic and social development and the need to conduct research from a non-western perspective.

Will what I say in this study be kept confidential?

All information collected about you will be kept strictly confidential (subject to legal limitations). Access to the data will be by the researcher working on this study only. The data will be securely stored in a computer which will be password protected. The codes, files and identifying information will be kept in separately locked filing cabinets.

Data generated by the study must be maintained in accordance with the University's policy on academic integrity. The data generated in the course of the research must be kept securely in paper or electronic form for a period of ten years after the completion of a research project. All data will be de-identified. It will be referred to by pseudonym in any publication arising from the research.

What should I do if I want to take part?

If you would like to take part in this study, please contact Lely Kristinawati Budhiyanto at the address, phone number or email address given below.

What will happen to the results of the research study?

The results of this research will be used in the thesis that I will write for my PhD degree. Further, the results also will be published in research journals and conference papers. If you wish to obtain a copy of the published research you can contact the researcher at the address, phone number or email address given below following completion of the study.

Who is organising and funding the research?

I am conducting the research as a PhD research student at Department of Business and Management, Faculty of Business, Oxford Brookes University under the supervision of Dr Juliette Koning and Dr David Bowen. This research is self-funded.

Who has reviewed the study?

This research has been approved by the University Research Ethics Committee, Oxford Brookes University.

Contact for Further Information

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If you have any concerns about the way in which the study has been conducted, you should contact the Chair of the University Research Ethics Committee on ethics@brookes.ac.uk.

Thank you for taking time to read this information sheet.

Appendix 2 Consent Form for Participation in an Interview



Research project:

Change and adaptation of family firms in the batik industry in Lasem, Indonesia

Lely Kristinawati Budhiyanto
PhD research student
College Close 10
Department of Business and Management
Faculty of Business
Oxford Brookes University
Wheatley, Oxford
OX33 1HX

Email: lely.budhiyanto-2012@brookes.ac.uk

**Please initial
box**

I confirm that I have read and understand the information sheet for the above study and have had the opportunity to ask questions.

☐

I understand that my participation is voluntary and that I am free to withdraw at any time, without giving reason.

☐

I agree to take part in the above study.

☐

**Please initial
box**

Yes

No

I agree to the interview being audio recorded

☐☐

I agree to the use of de-identified quotes in publications

☐☐

I agree to being observed

☐☐

I allow the researcher to take pictures and make notes in a diary

☐☐

Name of Participant

Date

Signature

Name of Researcher

Date

Signature

Appendix 3 Interview Question

Project title: Family Firm Sustainability: An Ethnographic Study of Change and Adaptation in Traditional Batik Industry in Lasem, Indonesia

Participant's personal information:

1. Name :
2. Age (date of birth) :
3. Birth order :
4. Educational background :
5. Age at business start-up :
6. Marital status :
7. Number of children :
8. Ethnic identity :
9. Spouse's name :
10. Educational background spouse :
11. Ethnic identity spouse :
12. Role of spouse in the business :
13. Employment spouse :
14. Employment history parents :

Participant's business information:

1. Business type :
2. Number of employees :
3. Type of employees (job roles) :
4. The ownership of the business :
5. Number of stores (if applicable) :
6. Type of products :
7. The involvement of family :

Business start-up stage (origin of the current business)

1. When did you start your business?
2. What is your previous job? Could you please describe in as much detail as possible.
3. What motivated your decision to change your job? Could you please explain it?
4. Why did you decide to start a traditional batik business and not another kind of businesses? Could you tell me more about that?
5. Was there anybody who inspired you to start up your batik business?
6. Tell me about how you started your batik business.
7. Was there anybody who helped you to start up your business?
8. What obstacles did you face while starting your business? How have you dealt with that?
9. Was there anybody in particular who helped you to overcome the problems during your initial business?
10. How did you get start-up capital for your business? Could you please describe it?

Overall topic guide

MACRO: Major events

1. What major external events impacted on your business sustainability [for example Dutch Occupation, Independence; Japanese occupation; introduction of printing machines 1970s; Asian economic crisis late 1990s; Interim presidency Gus Dur 2000s; UNESCO 2009; global crisis 2008]

MESO: Market & institutional setting

1. What particular market developments have impacted on your business development and business plans? Can you give as many examples as possible?
2. What is the institutional role that impacted on your business? (local government, national government, banking, traditional batik cooperative, association of batik admirers)

MICRO: family & business (compare ethnic Chinese and ethnic Javanese)

1. Family dynamics (generations, transfer knowledge, role of family member, family leadership, gender dynamics)
2. Business dynamics
 - a. When did your business start to grow and take off?
 - b. Why do you think this happened?
 - c. What did you do when you started to make profits (reinvesting?)
 - d. What are your future plans?

Appendix 4 Open Coding

Ethnic Chinese owner-managers	Javanese owner-managers
Forerunner in batik Lasem industry	Newcomer
Intention in doing batik business	Intention in doing batik business
Learning process	Learning process
Source of knowledge	Source of knowledge
Business Incubator – batik business	Business Incubator – batik making
Keep doing the predecessor's have done	Tacit knowledge
Tacit knowledge	Tight competition
Tight competition	Competition in batik workers
Competition in batik workers	Exploit family networks (kinship ties)
Rising salary	Living in the same area with batik worker as competitive advantage
Treated them well	<i>Ewuh pakewuh</i> (hesitate), togetherness, helping each other, and <i>rukun rukun</i> (social peace and harmony)
Provide more varied menu for their lunch	Exploit cultural value
Enact holiday tour in the end of the year	Family involvement
Give medical allowance	Production activity role
Provide soft loan scheme	Source of help
Open a workshop in the village where their batik workers lived	Take over the business
Give bonus as rewards	Start new business
Family involvement	First generation
Substitution role	Inherit from ethnic Chinese partner
Source of trust	Intangible asset
Share wealth	Government training
Well-know product	Single owned and managed
Take over the business	Previous working experienced
Start new business	Wages system
Inheritance	Workshop batik worker
Tangible asset	Outsource batik worker
Intangible asset	Lack of colouring knowledge
Product specialty	No colouring knowledge – inhibit business start up
Gender role in the business	Gender role in the business
Government training	Take advantage of its proximity to batik workers house
Single or multiple owned and managed	<i>Ewuh pakewuh</i> (hesitate)
Previous working experienced	Nepotism
Wages system	Pleasant treatment in doing business
Workshop batik worker	Government privilege
Outsource batik worker	External support
	Job specialization – limited batik knowledge
The important of colouring formula	Power possession
Keep colouring formula secretly	Cost cutting strategies to cope with limited financial capital
<i>guanxi</i> (personalized network/connection)	Business first orientation
Product quality	Family first orientation
Job specialization – managing batik worker	Business not promises or less profitable
Family and relatives funding	Family life disruptions
Business succession	Freedom for batik worker performing improvisation in drawing patterns and motifs
Willingness to continue	Copy competitor product
Obligation as a child	Servant leadership
Strong family value	Sharing wealth by transfer knowledge
Unable to compete in big cities	Fashion trend
No other lucrative opportunity than continuing parent's family firm	Compete actively to get supporting programs
Flexibility in choosing successor	Nepotism
Personal attachment to the firm	Dependency to external support

	Open to new production method
	Reluctant to adapt – following the forerunner
Personal identity	Telecommunication technology development
Family value	Economical communication tools
Family expectation	Adapted to new telecommunication technology
Business first orientation	Product promotion
Family first orientation	New way in business transaction
Business not promises or less profitable	Facilitate in approaching customers
Personal characteristics	Competitive environment
Reputation	Batik worker competition
Emotionally engage to the firm	Exploit family networks (kinship ties)
Long-term orientation vision	Living in the same area with batik worker as competitive advantage
Family life disruptions	<i>Ewuh pakewuh</i> (hesitate), togetherness, helping each other, and <i>rukun rukun</i> (social peace and harmony)
Centralized authority	Exploit cultural value
Kindness investment	Increasing wages
Family control the knowledge	Market competition
Instructional leadership	Low price strategy
Fashion trend	Cutting expenditure expenses
Compete actively to get supporting programs	Neglected the profit
Increasing production capacity	Subsidized
Expanded marked area	Flexibility in bargaining process
Adopted <i>cap</i> (stamp) tool to shortened production time	Discount for large order
Ready to wear clothing	Flexibility in payment system
Participate actively in exhibition	Consignment system
Investment	Instalment system
Production technology development	Pay later
Reluctant to adapt new production technology	Ignore the high risk
Product authenticity	Flexible return policy
Niche market	Actively marketing through exhibition
Strong emotional attachment	Door-to-door selling
Keep predecessor's have done	Attaining potential customer by using Black Berry Messenger
Telecommunication technology development	Conflict with competitor
Economical communication tools	Avoid vulgar conflict
Adapted to new telecommunication technology	Gossiping
Product promotion	Social harmony
New way in business transaction	Cooperation with the competitors
Facilitate in approaching customers	Coping competitor strategy
Competitive environment	Political regime encourage business development
Batik worker competition	Exploit the opportunity
Increasing wages	Start new business
Treated them well	Exploit nepotism
Provide more varied menu for their lunch	Maintaining good relationship with the government and non government organization
	Actively getting access to government program
Enact holiday tour in the end of the year	Coping with economic crisis
Give medical allowance	Close the business temporary
Provide soft loan scheme	Close the business permanently
Open a workshop in the village where their batik workers lived	
Give bonus as rewards	
Production quality	
Become forerunner is advantage in the market competition	
Strong positioning	
Recognizing market competition	
Willingness to taking risk	
Conflict with competitor	
Direct or frontal conflict	

No cooperation with competitors	
On and off during unstable economic and political dynamics	
Political regime threaten business sustainability	
Discrimination treatments	
Permissive	
Following the regulation	
Keep their identity	
Coping strategy to get access to government program	
Adjustment to the way in running the business	
Political regime encourage business development	
Exploit the opportunity	
Increasing production capacity	
Take advantage from government privilege	
Expanding market area	
Targeting low-middle customers	
Actively getting access to government program	
Maintaining family firm reputation	
Maintaining good relationship with the government to get access to government's program	
Registered in cooperative	
Coping with economic crisis	
Optimistic	
Believe in God	
Business is something to be inherited through generation	
Coping strategies	
Stop production temporarily	
Dismiss batik workers	
Unsold product as investment	
Rely on other income to survive	
Pawning batik product to relatives	
Close the business temporary	

Appendix 5 Coding Categorizing for Chinese Indonesian Owner-managers

Micro Level	Meso Level	Macro level
Resource availability	Market dynamics	Economic and Political dynamics
Family involvement	Fashion trend	On and off during unstable economic and political dynamics
Substitution role	Compete actively to get supporting programs	Political regime threaten business sustainability
	Increasing production capacity	Discrimination treatments
Source of trust	Expanded marked area	Permissive
Source of help	Adopted <i>cap</i> (stamp) tool to shortened production time	Following the regulation
Share wealth	Ready to wear clothing	Keep their identity
Gender role in the business	Participate actively in exhibition	Coping strategy to get access to government program
Reputation	Investment	Adjustment to the way in running the business
Networks with customer or resellers	Production technology development	Political regime encourage business development
Networks with government	Reluctant to adapt new production technology	Exploit the opportunity
Networks with competitor	Product authenticity	Increasing production capacity
Tacit knowledge	Niche market	Take advantage from government privilege
Learning process	Strong emotional attachment	Expanding market area
Government training	Keep predecessor's have done	Targeting low-middle customers
Previous working experienced	Copy the former strategy	Actively getting access to government program
Business incubator	Telecommunication technology development	Maintaining family firm reputation
Single or multiple owned and managed	Economical communication tools	Maintaining good relationship with the government to get access to government's program
Take over the business	Adapted to new telecommunication technology	Registered in cooperative
Start new business	Product promotion	
Inheritance	New way in business transaction	Coping with economic crisis
Tangible asset	Facilitate in approaching customers	Optimistic
Intangible asset	Competitive environment	Believe in God
Product specialty	Batik worker competition	Business is something to be inherited through generation
Wages system	Increasing wages	Coping strategies
Workshop batik worker	Treated them well	Stop production temporarily
Outsource batik worker	Provide more varied menu for their lunch	Dismiss batik workers
The important of colouring formula	Enact holiday tour in the end of the year	Unsold product as investment
Keep colouring formula secretly	Give medical allowance	Rely on other income to survive
<i>guanxi</i> (personalized network/connection)	Provide soft loan scheme	Pawning batik product to relatives
Product quality	Open a workshop in the village where their batik workers lived	Close the business temporary
Government privilege -Dutch colonialism era	Give bonus as rewards	Close the business permanently

Job specialization – managing batik worker	Market competition	
Financial capital	Become forerunner is advantage in the market competition	
Family and relatives funding	Cutting expenditure expenses	
Succession	Strong positioning	
Business succession	Recognizing market competition	
Willingness to continue	Willingness to taking risk	
Obligation as a child	Conflict with competitor	
Strong family value	Direct or frontal conflict	
Unable to compete in big cities	No cooperation with competitors	
No other lucrative opportunity than continuing parent's family firm		
Flexibility in choosing successor		
Personal attachment to the firm		
Personal identity		
Family value		
Family expectation		
Family Firm Governance		
Business first orientation		
Family first orientation		
Business not promises or less profitable		
Reputation		
Emotionally engage to the firm		
Long-term orientation vision		
Family life disruptions		
Centralized authority		
Freedom for batik worker performing improvisation in drawing patterns and motifs		
Copy competitor product		
Kindness investment		
Family control the knowledge		
Instructional leadership		

Appendix 6 Coding Categorizing for Javanese Owner-managers

Micro Level	Meso Level	Macro level
Resource availability	Market dynamics	Economic and Political dynamics
Family involvement	Fashion trend	Political regime encourage business development
Production activity role	Compete actively to get supporting programs	Start new business
Source of help	Nepotism	Exploit the opportunity
	Dependency to external support	Actively getting access to government program
Gender role in the business	Production technology development	
	Open to new production method	Maintaining good relationship with the government to get access to government's program
Networks with customer or resellers	Reluctant to adapt – following the forerunner	Registered in cooperative
Networks with government	Telecommunication technology development	Exploit nepotism
Networks with competitor	Economical communication tools	Coping with economic crisis
Tacit knowledge	Adapted to new telecommunication technology	Close the business temporary
Learning process	Product promotion	Close the business permanently
Government and or non government training	New way in business transaction	
Previous working experienced	Facilitate in approaching customers	
Business incubator	Competitive environment	
Single owned and managed	Batik worker competition	
Take over the business	Exploit family networks (kinship ties)	
Start new business	Living in the same area with batik worker as competitive advantage	
First generation	<i>Ewuh pakewuh</i> (hesitate), togetherness, helping each other, and <i>rukun rukun</i> (social peace and harmony)	
	Exploit cultural value	
Intangible asset	Increasing wages	
Wages system	Market competition	
Workshop batik worker	Low price strategy	
Outsource batik worker	Cutting expenditure expenses	
Lack of colouring knowledge	Neglected the profit	
No colouring knowledge – inhibit business start up	Subsidized	
Take advantage of its proximity to batik workers house	Flexibility in bargaining process	
<i>Ewuh pakewuh</i> (hesitate)	Discount for large order	
<i>guanxi</i> (personalized network/connection)	Flexibility in payment system	
Nepotism	Consignment system	
Pleasant treatment in doing business	Instalment system	
	Pay later	
Government privilege	Ignore the high risk	
Job specialization – limited batik	Flexible return policy	

knowledge		
External support	Actively marketing through exhibition	
Power possession	Door-to-door selling	
Financial capital	Attaining potential customer by using Black Berry Messenger	
Cost cutting strategies to cope with limited financial capital		
Family Firm Governance	Conflict with competitor	
Business first orientation		
Family first orientation	Avoid vulgar conflict	
Business not promises or less profitable	Gossiping	
Family life disruptions	Social harmony	
Freedom for batik worker performing improvisation in drawing patterns and motifs	Cooperation with the competitors	
Copy competitor product	Coping competitor strategy	
Servant leadership		
Sharing wealth by transfer knowledge		

Appendix 7 Visual data of Batik Production Process and Batik Products



